

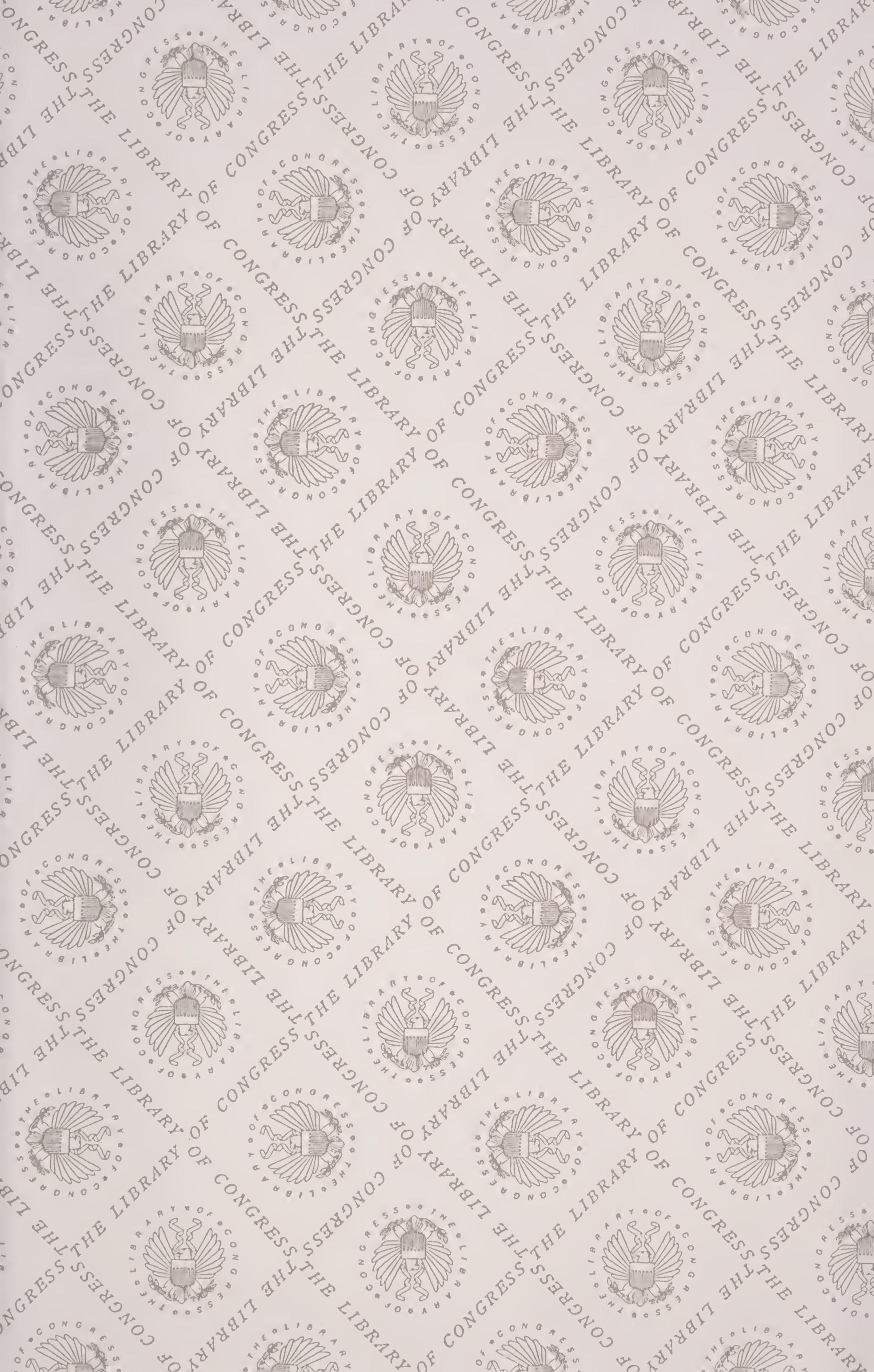
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# Experience with Mutual Benefit Associations in the United States

*Research Report Number 65*

National Industrial Conference Board  
NEW YORK

# National Industrial Conference Board

10 EAST 39TH STREET, NEW YORK

BRANCH OFFICE

SOUTHERN BUILDING, WASHINGTON, D. C.

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MUTUAL BENEFIT ASSOCIATIONS  
IN THE UNITED STATES

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RESEARCH REPORT NUMBER 65

National Industrial Conference Board  
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## Foreword

The present report forms one of a general group of studies by the Conference Board covering the technique of and practical experience with those organized devices and movements, such as profit-sharing systems, works councils, unemployment insurance funds, etc., developed by employers and workers in American industry for the betterment of industrial relations. Among these, mutual benefit associations for the collective protection of industrial workers against losses due to sickness and death have in recent years become an important feature of betterment activities in many American industrial establishments.

In this report the Conference Board offers a comprehensive survey of the significant features of the purpose, organization, administration and results of such associations, as revealed in the experience of employers and employees. Since, as this review makes clear, such associations are not merely mechanisms, but organisms which grow out of a collective effort to fulfill specific human needs and which must adapt themselves to local conditions, nothing said in this report by way of evaluation of specific features or general results of mutual benefit associations should be taken as a recommendation by the Conference Board of particular forms of such associations as compared with other forms or other methods of collective effort in this type of industrial betterment work. While mutual benefit associations have undoubtedly been of value in meeting the need for protection in the contingencies of the industrial worker's life, each industry and each establishment must meet this problem in its own way. "A Manual for Mutual Benefit Associations," issued as a subsequent report, affords a practical guide to employers and employees who may wish to establish a mutual benefit association.

This report is the result of an investigation conducted by Mr. H. R. Rutherford, and assistants, of the Conference Board's Research Staff, under the supervision of the Board's Staff Economic Council.

In the preparation of its reports, the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The reports of the Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

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# Experience with Mutual Benefit Associations in the United States

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## INTRODUCTION

The need of organized and systematic means of protection against the losses due to sickness, accident, death or involuntary unemployment in modern industrial society has long engaged the thought of workers, employers and students of social problems, and has led to the development of various kinds of collective effort to these ends, on the part of both governmental and private agencies. In the United States, governmental effort in this direction has so far been confined to workmen's compensation laws, now in operation in forty-two states.<sup>1</sup> The purpose of these laws is, in general, to provide protection only against losses due to injury, illness and death arising out of or in course of employment. Forms of state protection against unemployment are under consideration in several states.<sup>2</sup> As regards the contingencies of sickness, accident or death not directly connected with employment, various forms of private collective protection or relief have been developed by workers' organizations, individual employers, fraternal and other similar societies, beside that offered by commercial insurance companies.

This report is concerned with that type of collective protection and relief known as mutual benefit associations, which has been developed through the initiative of workers or employers in industrial establishments in the United States. As used in this report, the term "mutual benefit association" means an organization of employees within an industrial establishment, formed for the purpose of providing protection for its members in case of sickness, accident or death.

Although their essential purpose is that just mentioned, the constitution, organization, administration, form of protection

<sup>1</sup>See National Industrial Conference Board, Research Reports Nos. 1 and 61.

<sup>2</sup>See National Industrial Conference Board, Research Report No. 51.

and functions of such organizations, and their relation to the establishment differ widely. Employment within the plant in which the association operates is necessary for entrance to it, but termination of employment may not necessarily terminate membership in the association. Other benefits, in addition to those provided in case of sickness, accident or death, may accrue to the members, such as the provision of free medical attendance, payments to members while unemployed, the payment of hospital expenses or the granting of loans at reduced rates of interest. The association may engage in social and recreational activities, partly with the object of building up and maintaining an esprit de corps among its members and partly for the purpose of securing additional income.

Two main types of associations may be distinguished, differing according to the method by which they are financed and administered: those financed entirely by employees and administered solely by them, and those in which the employer either contributes in a financial way to their support or participates in their administration. In this classification only cash contributions on the part of the employer are regarded as financial support. In practically every association the employer pays the operating expenses of the association. The work of the association officers is usually done on company time, and in other indirect ways the company assists the association. Such assistance, however, is not regarded in this report as constituting a contribution on the part of the employer.

Although participation or non-participation of employers may be regarded as the main difference between associations, certain other differences in their method of operation are also of interest. A mutual benefit association is in most instances an organization distinct and separate in itself. In some cases, however, it may be auxiliary to a works council. Again, certain mutual benefit associations are terminated and a new association formed at the end of each year or on the death of a member. This procedure is in marked contrast to that which usually obtains where the life of the association is conditioned only by its ability to pay its obligations.

Mutual benefit associations may be further classified according to the way in which the insurance is carried. In some plants this is done by an outside insurance company. In others the association itself carries the risk. The vast majority of the

associations considered in this report belong to the latter class. Some associations carry their own sickness and accident insurance but insure in an insurance company for death benefits.

A study of the history of mutual benefit associations shows that while the older associations, those dating back twenty or thirty years, were organized entirely on the initiative of the employees, those of more recent date have been formed at the suggestion of the management. This is a natural outcome of the growth in the size of industrial establishments in the last twenty-five years and of the increasing attention which management has devoted to the study of industrial relations. In the case of a small plant where the employees were all acquainted with each other, the environment was favorable for the development of associations by the workers themselves. With the increase in the size of industrial concerns this "family spirit" gradually disappeared. The lack of a common interest among employees has come to be more and more realized and studied by management with a view to establishing plant esprit de corps which is so necessary for satisfactory industrial relations. As a result there has been a rapid growth in the number of mutual benefit associations in industry. It is impossible to determine accurately the number of such associations in operation today, but a conservative estimate would place their number in industrial concerns alone at between 700 and 800. They have thus become a definite and quite general form of cooperative effort in American industry, and because of their scope and functions and their position in industrial establishments they may be considered to have, actually or potentially, an important bearing on the status of the industrial workers and on the relations between them and their employers.

The investigation, the results of which are presented in this report, is a study of the organization, operation and experience of a representative number of such associations in order to ascertain the general purposes which employers or workers have had in mind in forming them, the features of organization and administration which have been found effective or detrimental to these purposes, the services which they render to employees, and their bearing on productive efficiency, morale, loyalty and other aspects of industrial relations. In all, 382 associations were studied in the investigation. Information regarding them was derived from study of their constitutions

and by-laws, from correspondence with company officials and officers of the associations, and in some instances from field visits and interviews with the managements and the workers. Because of the great variety of forms of organization and administration, and the variation in dues and benefits and activities among the associations, no attempt is made in this report to give an exhaustive account of the details of the associations studied. It was found, indeed, that such differences as exist were largely of secondary importance, and the main task of the investigation has been to reveal those features in the form and operation of the associations which the experience of their members or the company managements has shown to be significant for their success or failure.<sup>1</sup>

It has, of course, been impossible to measure this success or failure in hard and fast terms. The main purpose of such organizations is to afford protection to their members, and the continued existence of an association naturally implies its success in this regard. The relative cost of the protection afforded by this type of cooperative effort, as compared with that which might be obtained through other means of insurance, is difficult to measure because of the wide variation in the form and conditions of the associations, and because of the intangible factors of morale, group spirit, sympathy and cooperation of the management, social features, etc., which distinguish each association from every other, and which separate this type of cooperative effort from most others, such as commercial insurance, for example. It is these intangible features of the mutual benefit association which may determine the measure of its success, but they can be estimated only through the opinions of employers and employees. The attitude of the management and men toward the association is, therefore, the best measure of its success from the point of view of industrial relations, and it is from this point of view that their study has been approached in this investigation.

The Conference Board wishes to make grateful acknowledgment of the courteous cooperation of officers of mutual benefit associations and of companies who have supplied the information which is the basis of this report.

<sup>1</sup>On the basis of this experience, practical recommendations for the guidance of employers or employees in establishing and administering a mutual benefit association have been drawn up and published in Research Report No. 66, "A Manual for Mutual Benefit Associations," which forms a supplement to the present report.

# I

## GENERAL SUMMARY

### PURPOSES OF ASSOCIATIONS

This study of mutual benefit associations indicates that the main thought among both workers and management in forming or in assisting them is to establish a systematic, co-operative means of providing employees or their dependents with some measure of protection against losses due to accident, illness or death, in addition to the protection afforded by workmen's compensation laws or other agencies. It has been felt also that, by virtue of the *systematic* character of such provision, the possible waste, injustice or annoyance of casual relief subscriptions would be obviated. In addition, employers have considered that the *cooperative* character of such provision, enlisting many or all of the workers and sometimes the management of a single establishment in the common object, might indirectly have a favorable effect on the interest, loyalty, and esprit de corps of the entire organization and thus improve industrial relations. Finally, employers have felt that the assurance of relief and the actual protection afforded by such associations nourish confidence and prevent discouragement and discontent in the worker, thus producing an indirect effect on productivity and industrial relations.

Although they have been realized in many cases, the possibility of the latter results is not usually put before the objective of protection and relief, and the value of mutual benefit associations is not tested by them alone.

As regards the features of the organization, administration, relation to management, schedule of benefits and dues and other activities of associations, which may influence their success or failure, the following general considerations are suggested by the experience of the associations covered in this investigation:

### MEMBERSHIP FEATURES

Voluntary membership is generally preferred by both employer and employees to compulsory membership. Compulsory membership makes for greater stability of funds than a purely

voluntary association, because the latter tends to include chiefly those who feel the need of provision, and so makes for an unfavorable selection of risks. Compulsory membership, moreover, brings within an association the thriftless type of individual who will not voluntarily make provision for the future. These advantages, however, are usually more than counterbalanced by the lack of interest and enthusiasm which may characterize the attitude of the members toward a compulsory association.

Most mutual benefit associations have found it advisable, in order to protect themselves against having an unduly large percentage of members who are liable to claim benefits, to set a maximum age limit for employees who wish to join. An exception to this is frequently made when a mutual benefit association is being organized, at which time all the workers who apply for membership within, say, thirty days, may be admitted. Thereafter a maximum age limit of fifty or fifty-five years is usually fixed, or some arrangement made whereby an employee who joins at the age of fifty or fifty-five or over either pays higher dues than the younger members or receives only a certain percentage of the regular schedule of benefits. No restriction, of course, is placed upon the younger employees joining the association, as it has been found to be highly essential that an association recruit the larger part of its membership from among this group.

Although a number of associations restrict membership to male employees, experience reveals no valid reason for excluding women from membership under proper safeguards.

Experience indicates that membership should be restricted to those who remain in service of the company.

While it might be possible for a mutual benefit association to allow members who leave a plant to retain their rights to death benefits by paying a higher rate of dues, as is done by insurance companies in the case of an employee who leaves a plant in which the workers are covered by a group life contract, it is extremely doubtful if any satisfactory plan could be evolved whereby a member of an association leaving a plant could retain his rights to sickness and disability benefits.

Another reason why mutual benefit associations have found it unfeasible to permit members to retain membership after they leave the plant is that the association has no effective way

of administering and supervising the benefit claims of workers who may be employed in another company and perhaps in another town or city. The nature of the work in which employees who leave a company engage is also an important factor.

While membership in the association should, therefore, in general be restricted to employees, refunds may be made to members who have paid their dues in advance and who leave the company before the termination of the period which has been covered by such advance payment.

#### CONSTITUTION AND ADMINISTRATION

The form of an association and its constitution and by-laws are of far less importance in gaining success than the personality of the officers. While the association must be devised to fit the needs of the organization, its success is primarily dependent on whether those individuals who administer it are personally and vitally interested in making it a success.

In the last analysis, a mutual benefit association, to achieve its primary purpose, must "sell" insurance to the workers in a plant. Salesmanship is required in organizing the association in such a way as to gain the interest of the employees, and to induce new employees to become members. Various methods, including the use of plant publications, contests in securing new members, instruction of the foremen with respect to the organization, sending letters to new employees, explaining the association to them and urging them to join, have been utilized. Whatever the methods adopted, their success depends to a very large extent upon the personality of those individuals whose task it is to apply them.

Such person or persons must be capable, energetic and actively interested in the work of the association. The officers should be of this type, since it is upon them that the responsibility of commending the association to the workers in the plant must devolve. It is of minor importance whether an association has a full complement of officers; or not. What is of the greatest importance is that the officers, whatever their number, be enthusiastic about the benefit association idea themselves; that they be willing to devote time and energy to their duties; and above all that they appreciate the necessity of keeping the membership of the association as nearly as possible at 100% of the eligible employees.

Another factor affecting the success of a mutual benefit association is that it be based on sound accounting and actuarial principles and have competent advisors for this purpose among its officers.

Experience indicates, on the whole, that it is advisable, because of the added confidence and prestige among employees that accrues to associations managed entirely by themselves, and because of the training which employees obtain in the administration of such organizations, that company participation in administration be confined to a minimum. The company can best serve the association by standing ready to consult and advise with the employee officers at any time and furnish them whatever assistance is possible.

#### DUES AND BENEFITS

Because the levying of assessments makes it impossible for a member to tell with certainty what the yearly cost of the association will be, the method of raising revenues from dues has been found preferable, as a rule. The greater part of the revenue, at least, should be raised from dues, recourse being had to assessments only when the necessity arises, or when the funds in the treasury fall below a certain figure, as in the event of an epidemic.

The statements of employers, officers and members of mutual benefit associations indicate that the most satisfactory method of collecting dues is the payroll deduction method, where this is not prohibited by state laws. This takes less time than the collection of dues by departmental collectors and assures regularity of payment.

Field days, excursions, dances and entertainments are run by many associations in order to build up and maintain the esprit de corps of the organization and to supplement the revenue derived from dues and assessments. Experience shows, however, that social and recreational activities should not have to be undertaken in order to raise revenue because the schedule of dues and assessments is inadequate.

Experience has shown it desirable that dues, in the first instance, should be made somewhat higher than appear to be absolutely necessary, so that, if a revision of the schedule has to be made, it may be in the direction of lowering or remitting dues for a certain period, or declaring dividends, rather than

increasing dues, levying extra assessments or shortening the time for which benefits are to be paid.

The benefits paid by a mutual benefit association should be fixed with relation to the current cost of living among industrial workers and to the income of the individual worker. Many associations which have been in operation over periods ranging from ten to twenty-five years are still paying the same rates of benefits as they did at the time they were organized. Irrespective of the adequacy of benefits of \$5 or \$6 a week, which are the predominating rates in the associations studied, a uniform rate of benefits does not recognize the difference in the standard of living of an employee who earns \$10 a week and one who earns \$30 a week. Experience suggests that a more equitable arrangement would be to relate both dues and benefits to the average weekly earnings of the members, and to classify membership as well as dues and benefits on this basis. In order to discourage malingering, benefits may be restricted to a certain percentage of wages, 50%, 66 $\frac{2}{3}$ % or 75%, as may be deemed advisable.

#### MEDICAL SERVICE

There is a growing appreciation on the part of some of the more forward-looking associations that they can be of greater service to their members by engaging in preventive health activities. These associations find that work of this kind, besides being commendable from the humanitarian viewpoint, is profitable from a commercial standpoint as well.

The first step in this direction is medical examination of all applicants for membership in an association to ascertain what weaknesses or defects are in need of care. These disabilities need not be a cause of exclusion from membership in the association, but employees may be allowed to become members upon signing a waiver releasing the association from the payment of benefits for such physical defects as may be revealed by the examination, and employees may be assisted to remedy or cure such defects or ailments in order that they may become entitled to full membership.

Medical examination on entrance to the association should be followed by further examinations held at yearly or half-yearly intervals. Such periodic examinations may provide the members with vital information regarding their health and enable

them to take any precautions that may be necessary against disease.

Another manner in which a mutual benefit association may enlarge its program so as to include measures to prevent sickness or lessen its duration is in the provision of free and competent medical attendance for all disabled members. In many associations, the cash benefits paid are not adequate to permit proper medical advice and treatment for the members. Very often the physicians are incompetent, and the consequences of inaccurate diagnosis and erroneous treatment, besides being serious for the members themselves, are reflected upon the association in a prolonged term of disability payments.

Whether a mutual benefit association should retain a physician of its own or whether the initiative in engaging in preventive medical work should come from the plant medical department, largely depends on the conditions within the individual plant.

Although the broadening of the functions of the mutual benefit association has not progressed to the same extent as in the case of the industrial physician, the success of mutual benefit associations is coming more and more to be measured in the same way. Few associations have as yet inaugurated any of these plans, but it is evident that any measure taken to raise the standard of health among the workers in a plant is bound to react favorably on the benefit association.

#### SUPERVISION OF MEMBERS

Experience shows that, while it is necessary to the success of an association that benefits be paid promptly and with as little red tape as possible, the association must protect itself against malingering. To this end many associations pay benefits only to those who have been members for a specified period of time, varying among the associations from three days to a year. A probation period of this kind is undoubtedly desirable, since even medical examination will not in all cases reveal incipient diseases. There seems to be no adequate reason, however, for making this period as long as one year. While two weeks' membership before members are entitled to benefits may be accepted as a necessary protection for the association in the case of sickness benefits, no probation period seems to be necessary in the case of accident benefits. A longer member-

ship may be justifiably required of members before they become entitled to death benefits. The length of this period is necessarily determined by the individual association, taking into account its rate of dues and benefits and the length of the "waiting period."

The length of time within which a disabled member must notify the association of his disability is of importance in the supervision of benefit claims. It has been found desirable that associations receive such notification of disability within, at the maximum, seven days from its commencement. Provision may be made for exceptions to this rule, but otherwise rigid adherence is necessary.

Practically all mutual benefit associations require a doctor's certificate from disabled members before benefits are paid. Whatever arrangements an association may make for securing the services of a physician in this connection, experience shows that the association should reserve the right to have the disabled member examined by a doctor of its own choice, whose decision should be final.

Further supervision of members drawing benefits is obtained in most associations through the medium of a sick or visiting committee, composed of a number of members of the association. Although, strictly speaking, a physician is the only individual who is competent to determine whether an employee is malingering or not, the sick committee has an important function to fulfill in the administration of an association. As fellow workers of the members drawing benefits, the committee is quite often able to form a more accurate judgment of a case than the attending physician.

In determining the length of the waiting period, i. e., the number of days at the commencement of a member's disability for which he receives no benefits, the relation of this period to dues and benefits should be kept in mind. This is a subject for actuarial investigation in each association.

The general opinion is that the waiting period should be long enough to discourage malingering and at the same time should not be so long as to work a hardship on those who suffer from minor injuries and illnesses. Free medical attendance for all members who are disabled, accompanied by effective supervision of claims, does much to eliminate malingering, and it is to the interest of the association to see that all members who are sick

or disabled are provided as soon as possible with medical care in order to arrest the development of the disability and thereby lessen the amount that the association might otherwise have to pay out in benefits.

### COMMERCIAL REINSURANCE

Experience suggests that, because of the better distribution of the risk, the better provision for catastrophic or epidemic hazard, the higher rate of benefits, higher death benefits, the fewer restrictions necessary on membership, or on the payment of benefits, and the larger percentage of employees who secure protection, it is advisable for benefit associations, except in the larger plants, to reinsure, through group insurance in a commercial carrier, the payment of death benefits, and also the payment of disability benefits, unless the association has substantial support or guarantee of assistance from the employer.

### STATE SUPERVISION OR ASSISTANCE

It is not possible to determine the value of state supervision of or assistance for mutual benefit associations or similar measures for relief of workers and their families in sickness, accident or death, because data are lacking. Only one state has experimented in this field. In Massachusetts, as a result of an investigation of the subject of non-contributory health insurance, the legislature in 1918 recommended the encouragement and promotion of mutual benefit associations among the employees in industrial plants in that state. The Savings Bank Life Insurance Division has been instrumental in organizing a large number of mutual benefit associations in Massachusetts, and in these associations the sickness and accident benefits are paid from the association funds, whereas the life insurance is provided through the savings banks under a group policy issued to the employer. In this instance the cost of the sickness and accident benefits is carried by employer and employee jointly and the cost of the life insurance by the employer alone.

### RESULTS OF MUTUAL BENEFIT ASSOCIATIONS

The mutual benefit association has undoubtedly proven itself to be an effective instrument for placing on an equitable and businesslike basis the relief of employees incapacitated through sickness or accidents. Both employers and employees are unani-

mous in their statements that it is much superior to the uncertain and possibly unjust system of "passing the hat," in order to obtain such relief. It provides the employee with the opportunity of insuring himself against sickness, accident and death, thereby making it unnecessary for him to rely upon charity when ill or injured, and at the same time dispelling the fear of dependence.

While it is difficult to establish any direct connection between the mutual benefit association and production, efficiency or labor turnover, it is highly significant that not a few employers are of the firm belief that the effect of benefit associations upon these factors is, nevertheless, considerable, though intangible and not to be measured in dollars and cents.

Employers believe that the interest manifested by management in the association, expressed either through direct contributions to it or through the provision of facilities to enable it to conduct its business on an efficient basis, is of inestimable value in building up confidence and good-will in the plant. Through the sympathetic contacts established with members who are drawing benefits, and the "family spirit" which is fostered by an association's social activities, at which management and employees meet on an equal footing as members of one group with a common object, an esprit de corps is created among employees that is of permanent and lasting value. Employers who were of the opinion that mutual benefit associations exercise a beneficial effect upon the relations of men and management also stated that the business meetings of the associations, at which common problems are discussed by management and employees, further served to establish in the minds of the latter the sense of a community of interest between employer and employed.

Productive efficiency is believed to be improved as a result of the freedom from worry regarding the consequences of disability, which the association produces among its members. This feeling of independence is reflected in their ability to concentrate more efficiently upon the work in hand. It also results in a better morale among the members. The protection in case of illness, accidents and death, afforded by an association, is one of the factors that makes a plant "a good place to work" and is one of the bonds that link the worker to the plant. There is no evidence that in the absence of adequate wages and satis-

factory working conditions a mutual benefit association would act as a deterrent upon a member who contemplates leaving a plant, but experience proves that the benefit association occupies a prominent place in the worker's mind and to that extent exerts a stabilizing effect upon labor turnover.

In estimating the broad results of mutual benefit associations and the practical significance of specific features of their organization which may influence their success, the human factor stands forth as the most important. The experience of the organizations covered in this investigation emphasizes again what has been indicated in the Conference Board's previous studies of movements and devices for industrial betterment, that the mutual benefit association, like all forms of human association in industry, is not only a mechanism but a living organism. As a mechanism its operation is subject to certain definite laws, but as an organization, its success depends upon the extent to which it grows and adapts itself, under intelligent guidance, to the peculiar human needs which it must satisfy.

## II

### PURPOSES OF MUTUAL BENEFIT ASSOCIATIONS

From the evidence which the Conference Board has obtained regarding the purpose of employee mutual benefit associations, it appears that the chief reason for their formation has been to provide some measure of protection against accident and illness. In many instances this motive has been associated with the desire to supplant the prevailing system of occasional and voluntary contribution of funds for disabled employees. Both employer and employees have found this method of providing for disabled workers unsatisfactory, because of the disagreeable flavor of charity and the casual, uncertain and unbusinesslike character of such relief, and because such contributions frequently fall inequitably on the workers in an establishment or fail to provide adequate relief for the needy workers.

The history of what is perhaps one of the most successful associations in the country today illustrates this development. In 1889, before there were any workmen's compensation laws, a middle western company was building a warehouse. One of the carpenters fell from the building as a result of his own carelessness and, after lingering for two or three weeks, died, leaving his family destitute. At that time the company was a small and struggling concern which was having difficulty in meeting its payrolls and was not in a position to pay out money as a gratuity to the relatives of its employees. A collection was taken up among the workers, but the plant superintendent thought that this was an unsatisfactory way of handling such cases and suggested to some workers that there should be organized a relief association which could accumulate funds through the collection of weekly dues from the members to take care of cases of accident, sickness and death where the company itself was not liable. It was in this way that the association was organized.

As one of the company officials wrote, "in its organization there was no idea that the association might be of value to the company. . . . The sole idea was to make it possible for the employee to give himself some measure of protection against accident and illness, and also to prevent the continuation of a prac-

tice which was then current of sending a subscription paper around the shop whenever a distressing case arose."

Dissatisfaction with the method of "passing the hat" among employees for the aid of a disabled worker was the reason also given for organization of an employees' mutual benefit association in an eastern plant:

"It had been noted by those interested . . . that in the case of sickness or death of a worker, it was customary to take up a collection for the relief of the disabled person or of his immediate dependents. Usually the amount made available by such collection was likely to be very uncertain, and would depend more upon the personality and popularity of the recipient of the relief than it would upon his actual need. Many other factors more or less uncertain entered into the matter, so that it was felt that some organized system should be devised by which all who might enter into such an Association should receive definite and specified relief, thus eliminating the idea of charity and putting the matter on a just and business-like basis."

A Massachusetts plant stated that the original reason for establishing its employees' mutual benefit association was "to have employees not dependent upon charity when they were obliged to remain out because of illness, especially that particular class of employee that never saves any money, but spends it each week."

A Connecticut company stated that its purpose in entering into "the cooperative undertaking" was

"to provide its employees with a certain income when sick or when disabled by accident, other than accidents received in the course of employment; to provide for families or beneficiaries of members a definite sum in the event of death of the wage earner and to maintain a fund to aid in the support of members in their old age and in certain contingencies of family life."

A few employers regarded employee mutual benefit associations as one means of dissuading workers from joining trade unions. It was one company's belief that the employer should assist in financing the benefit association to the extent that the worker might obtain benefits at a smaller cost than would be procurable from a trade union. Another employer reported that the mutual benefit association had "taken the place of the trade union" among certain of his employees. This attitude toward associations was not common.

The vice-president of an Iowa company wrote that in organizing the employee mutual benefit association "we had no partic-

ular idea in mind as to how the association might be of value to us as an employer." The company wanted the employees to be relieved from the worry and expense due to illness and absence from work and it was believed that the mutual benefit association would be the means of securing a maximum of benefit for a minimum of expense.

These quotations represent broadly the attitude taken by the vast majority of employers covered in this investigation upon the question of the formation of employee mutual benefit associations. In most instances employers have encouraged and assisted employees in organizing and maintaining such associations, not with the object of reducing labor turnover, improving productive efficiency or obtaining a more loyal group of workers, but in order that some protection might be afforded employees against privations resulting from sickness, accident and at death and that such protection might be on a systematic and equitable basis. As is pointed out later<sup>1</sup> the criterion by which the success of an association is measured by most employers is not its effect upon absenteeism, efficiency, labor turnover, and production, but whether the majority of the employees have joined it and whether it has been able to pay benefits when due. Such results as have been noted upon efficiency and labor turnover have been considered as of secondary importance in estimating the success of the association, although in many cases they are marked and highly valued.

<sup>1</sup>See p. 136.

### III

## ORGANIZATION AND OPERATION

### COMPULSORY VS. VOLUNTARY MEMBERSHIP

Of 382 mutual benefit associations studied by the Board, 346 maintain voluntary membership and 36 compulsory membership.

In this connection it is important to bear in mind that several states have laws which directly or indirectly prohibit compelling an employee to join an association. For instance, a law of the State of Michigan covering this point reads as follows:<sup>1</sup>

“It shall be unlawful for any employer of labor, by himself, his agent, clerk or servant to require any employee or person seeking employment, as a condition of such employment, or continuance therein, to make and enter into any contract, oral or written, whereby such employee or applicant for employment shall agree to contribute directly or indirectly to any fund for charitable, social or beneficial purpose or purposes.”

And further,

“it shall be unlawful for any such employer, by himself, his agent, clerk or servant, to deduct from the wages of any employee, directly or indirectly, any part thereof without the full and free consent of such employee, obtained without intimidation or fear of discharge for refusal to permit such deduction.”

Other states which have laws covering compulsory deduction of dues from an employee's pay are New York, New Jersey, Connecticut, Ohio and Oregon. Some of these laws are general in application, referring to “employers of labor,” “corporations” or “industrial establishments.” Others are specific and apply to “mercantile establishments,” “railroads” or other special industries.

### *Advantages of Compulsory Membership*

Compulsory membership is favored by the associations that operate on this plan on the ground that it makes for greater stability of funds; that it provides benefits for those who especially need them but who would not join voluntarily; that

<sup>1</sup>Compiled Laws of Michigan, 1897, Secs. 11400, 11401.

administration is more economical; and that membership campaigns and personal solicitations are thereby eliminated.

There are always a certain number of employees who will not join an association voluntarily. They are either suspicious of the general plan or idea of benefits, or they comfort themselves with the assurance that they have not been sick or injured and that there is little likelihood of their needing the protection provided by the association. There is the class, also, who have membership in outside fraternal orders which pay benefits in varying amounts. This class is especially numerous among the foreign population. Some employers feel that these men will become members of the mutual benefit association only under compulsion.

There is a well-defined feeling on the part of some who would welcome compulsory membership and yet recognize its objections, that if the advantages of the mutual benefit association are presented in the proper light and the reasons why compulsory membership is more desirable than voluntary membership are carefully explained, there will usually be little or no antagonism toward such a measure on the part of employees.

A mid-western company states:

"Compulsory membership has features which on the face of it might become the means of causing an ill feeling among the men toward the management, as the average factory man does not relish the idea of being forced to do anything. We experienced in the early days of our organization considerable of this attitude, but at the present time we are very pleased to say that very little of this feeling exists."

Membership in the association in an Indiana machine company was at first voluntary but was later made compulsory. A company official wrote regarding this change:

"Our experience would lead us to favor compulsory membership. We had years ago a similar organization made up of volunteer membership. . . . The older and less healthy employees retained membership, while the younger and active element would have nothing to do with it. The result was that the dues would not support the claims that followed and extra assessments had to be made, and the organization in general got into a very bad state."

A noteworthy feature of this statement is that lack of interest on the part of the younger employees resulted in the association being unable to pay its benefits. If an association is chiefly composed of elderly members, a considerable proportion of whom

are likely to be drawing benefits continuously, the result is likely to be that expenditures will exceed receipts. That the remedy is to be found in compulsory membership does not necessarily follow. Compulsory membership is frequently taken as the easiest way out of the difficulty, but it may be a confession of inability on the part of the management of the concern and of the officers of the association to develop a plan that will be taken up by the employees on its merits.

Of interest is the testimony of a Pittsburgh association, which has had experience with both voluntary and compulsory membership:

“At first membership was voluntary, but this was later changed and it was made compulsory. We felt that in this way the burden was equally borne by every one and in like manner the benefits are the same to all.”

A large Connecticut silk company reports that it follows a middle course, “with considerable success:”

“In Connecticut compulsion is prohibited, but we enroll as members all eligible new employees, granting them, however, the liberty of withdrawing. There are many who thus continue as members who would not have joined of their own motion; but there is still no compulsion.”

### *Disadvantages of Compulsory Membership*

On the other hand, compulsory membership is regarded by some employers as contrary to the best interests of an association, in that compulsion in any form is usually distasteful to employees; that it fosters ill feeling and the idea that the employer is endeavoring in some way to profit at the employee's expense; that the employee feels the employer is taking advantage of his desire to secure a job by forcing him to contribute to the association; and that his personal liberties are being infringed by enforced membership. In other words, it is felt in some cases that the psychological effect of compulsory membership is unsatisfactory. As one writer has expressed it:

“In addition to the unsatisfactory psychological effect, this method is like catching fish by dynamiting the river. It seems much more business-like to provide insurance that embraces those features which make it worth while and then proceed to sell it on its merits.”<sup>1</sup>

An automobile company in New York State expressed the following opinion on this matter:

<sup>1</sup>W. L. Chandler, “The Employees' Benefit Association,” *Industrial Management*, New York, January, 1918, p. 37.

"We believe that the question of membership should be voluntary. This belief is based entirely on the success of our society in following this plan. The matter then becomes a purely sales proposition and cannot be construed as a 'hold up.'"

A Chicago firm states:

"Compulsory membership could hardly be kept free from the suspicion of ulterior motives on the part of the firm, in the eyes of the employees."

A publishing house in central Pennsylvania says:

"We favor voluntary over compulsory membership because in our opinion the idea of compulsory membership would lead employees to feel that there was 'a nigger in the woodpile.'"

A manufacturer of steel products, wrote:

"I believe in voluntary membership for the reason that every one, irrespective of his station in life, resents compulsion or dictation."

Some employers feel that compulsory membership takes all the spirit of honor or enthusiasm out of joining the association and dampens the feeling of loyalty and confidence which the association should help engender between employees and between employer and employee. When employees belong because they must, their sole purpose appears to be to get all they can out of the organization, and their interest and pride in the association's success is likely to be negligible. It has been found, also, that "compulsory membership frequently has resulted in placing a board of directors and a secretary in office who gradually drift to the attitude of autocracy, and enthusiasm, if it ever existed, soon vanished under such circumstances."<sup>1</sup>

Undoubtedly there are advantages to both forms of membership. For the most part, however, the testimony of employers seems to favor voluntary membership. While compulsory membership may make for greater stability of funds, this stability may be secured at the price of other things which are vital to the existence of a live association. An employee who joins an association under compulsion is likely to have no vital interest in its welfare and to lack that enthusiasm which makes for real success. He may feel no honor in joining and his only thought concerning the association is to get all he can from it. Even though the association may be nominally administered by employees, the compulsory membership may take away

<sup>1</sup>W. L. Chandler, *op. cit.*, p. 38.

from it the spirit of fraternity and cooperation which is more noticeable in the voluntary than in the compulsory society.

Compulsory membership, also, tends to create a feeling of suspicion and distrust on the part of the employee against the employer. He resents the abridgment of his liberty involved in compulsory membership and immediately attributes it to some hidden motive on the part of his employer.

It is true, of course, that under compulsory membership those types of individuals who need benefits but who would not otherwise join the association are covered. It seems safe to say, however, that under a voluntary plan which has been thoroughly explained to the employees, many of this type could be induced to become members. In any case, whether such individuals would or would not join under a plan of voluntary membership, is hardly a conclusive argument in favor of compulsion.

In its investigations the Board has found that employees are, for the most part, decidedly opposed to compulsory membership just as they are opposed to compulsion in any other phase of their relation to their employer. It is significant also that out of 382 employers with whom the Board corresponded, 346 reported voluntary membership, and a large number of these expressed themselves more or less emphatically as against compulsory membership.

#### MEMBERSHIP RESTRICTIONS

Regulations restricting membership are to be found in almost all the benefit plans studied. The kind and degree of restriction vary with individual cases. Some associations are considerably more liberal than others in their restrictions or in the interpretation of restrictions, and modifications are made in special cases.

The more common membership restrictions are based on earnings; age; physical condition, as disclosed either through an applicant's own statement, or through a physical examination; sex; period or length of employment; habits; race; degree of employment hazard; marital status; and place of residence.

##### *Restriction on Basis of Earnings*

Where eligibility is on the basis of earnings, the regulations usually provide that no person whose wage is below a minimum amount per week may join. A special instance of such a restriction is that of an association which stipulates that a

minor must be earning at least \$1 a day and that he must have his parent's consent before he can join the society. Another form of wage restriction excludes salaried employees from membership.

None of the associations which exclude persons from membership on account of earnings give an explanation for this measure. One or both of two considerations, however, may govern these associations in adopting this restriction. In the first place, there may be a feeling that if a man's wage is below a certain figure he will not be able to pay the dues. The second and more plausible reason may be that if a man's wages are below a certain level, the benefits he could draw from the society would be greater than his wage. This might be a temptation either to feign disability or to malinger when he was disabled.

Several societies have a provision in their by-laws permitting those whose wage is below a certain level to take out "half-membership;" in other words such employees pay one-half the rate of dues paid by full members, and receive one-half as much in benefits. In some associations salaried members do not receive weekly benefits while they are drawing money from the company.

#### *Restriction on Basis of Age*

A large number of associations have an age restriction. Usually both a minimum and a maximum age are mentioned, although in some cases only one or the other appears. The setting of a maximum age limit avoids taking in as members men or women, who, by reason of the infirmities of age, might draw from the society more than they would put into it. Where employees are permitted to join an association regardless of their age, the benefits they may draw are frequently limited. Benefits may be arranged on a sliding scale, according to which a reduction in amount is made for each five or ten year increase in age. This sliding scale frequently applies to anyone aged forty-five or older at the time of joining. In one association, members between forty-five and fifty are assessed  $1\frac{1}{2}$  times, those between fifty and fifty-five,  $1\frac{4}{5}$  times, and those between fifty-five and sixty,  $2\frac{3}{10}$  times, the regular dues. Another association has incorporated in its constitution a provision that no employee thirty-five years of age or older who has been with the company ten years shall be eligible for membership.

Experience indicates that some restriction should be placed on those who join an organization after the age of forty-five. There is of course a moral distinction between the member who enters employment at the age of forty-five and the member who has been in service previous to reaching that age and who joins only when he begins to realize that he may need assistance. An employee who has joined the association early, contributing his share to the relief of other members, is entitled to greater consideration than the one who waits until he is forty-five to join. The plan followed by some societies, of varying the dues according to the age at which a man joins, is intended to cover the employee who does not join until he is of middle age.

Experience, however, does not indicate that any difficulty should be placed in the way of the younger employees joining an association if they can pay the dues. They are likely to draw out in benefits less than any other class of members, and it is essential that an association have within its membership a large number of the younger and healthier workers to counterbalance the older members who are much more likely to be on the disability list.

#### *Restriction on Basis of Sex*

Comparatively few associations differentiate in their constitutions between men and women. In only five of the associations included in this study are married women excluded from membership. One association requires a waiver covering accouchement. Another requires a report of examination by a physician from all women who apply for membership. Eleven associations restrict their membership to males. One association specifically states that both males and females are eligible for membership. In the rest of the associations studied no reference whatever is made to sex as a membership requirement, the inference being that both sexes are eligible.

Officials of some associations are of the opinion that it is more difficult to administer sick benefits where women are concerned. Whether or not this is justified is open to question. In view of the fact that so many concerns make no distinction with regard to sex, it would seem that the admission of women to membership has not proved difficult in the majority of cases. If women are objected to on the ground that they are subject to more frequent illness and to disabilities peculiar to their sex,

this objection may be largely overcome by the waiting period of two or three days to two weeks imposed by most societies. A waiver covering disabilities peculiar to women, such as required by one association mentioned above, is another method of meeting this difficulty.

#### *Restriction on Basis of Period of Employment*

Membership in mutual benefit associations is frequently contingent upon the fulfillment of a certain period of employment. This period varies from one day to a year. Of 210 associations which submitted information on this point, those in which no employment period was required for membership numbered 109. An employment period of thirty days was required by thirty-nine associations; of ninety days by twenty-four associations; of sixty days by eleven associations; of seven days by eight associations; of fourteen days by six associations; of six months by five associations; of four months by two associations; and of one day, ten days, six weeks, eight weeks, twelve weeks and one year by one association each. The most common probation period is thirty days or one month.

It is questionable whether the association gains anything by such a requirement. If an applicant is required to pass a physical examination, the chances of his being a poor risk are reduced and the waiting period can add little to certainty on this point. It is hardly possible to determine definitely whether or not a man is a good moral risk, except in a general way, until he has belonged to the association for a time. The checks ordinarily placed by an association would seem to take care of any moral risk assumed when a new employee is received into membership.

It is possible that a short waiting period may have a good psychological effect in increasing an employee's interest in the association and his respect for its standards, but it may create a serious obstacle to full enrollment.

#### *Restriction on Basis of Physical Condition*

Physical condition, as measured either by the applicant's own statement or by a physical examination, has assumed importance in many associations as a membership restriction. Of the associations studied, fifty-eight require merely a statement on the part of the applicant that he is in good health and eighty-six require a physical examination either by an applicant's own physician, a physician designated by the association, or the

regular association physician. Some firms require all employees to undergo a physical examination at the time of employment. In a few of these same companies, association membership requires also an examination by the association physician.

A physical examination serves as a check against the inroads on association funds through chronic or contagious diseases and, in conjunction with prophylactic medical service, may do much to lower the disability rate. For financial reasons and in order to protect the solvency of the fund, therefore, an examination seems to be desirable. It has the unfortunate consequence, however, of debarring from membership some who need benefits most. Part of this disadvantage may be overcome by admitting those who have certain chronic diseases or ailments under a special rate of dues and benefits, or under a waiver absolving the association from benefits for disability caused by those particular ailments, and by assisting such cases in various ways to improved health.<sup>1</sup>

#### *Miscellaneous Restrictions*

Practically all of the associations studied by the Conference Board exclude from membership those of immoral habits. This rule, if fairly administered, is undoubtedly an excellent one, since it debars those who might in the natural course draw frequently or continuously on association funds. Such a rule, also, puts the association on a higher plane and adds dignity to membership therein.

Only a few societies prohibit membership on account of race. Such restrictions usually apply to negroes. Thirteen constitutions examined by the Conference Board contained provisions excluding all but "white, male employees" from membership. The basis of this exclusion appears to be a fear that the health standards of negroes are lower than those of the white race and that they are, therefore, more susceptible to ill health.

A few associations exclude from membership employees whose occupation is specially hazardous; and some require that a member live within a certain number of miles radius, in the county, or within the distance covered by a trolley fare.

A number of minor membership restrictions not already mentioned are sometimes found in mutual benefit associations. A study of 461 mutual benefit associations or funds, made by the

<sup>1</sup>See p. 117.

Department of Labor<sup>1</sup> in 1908, showed the following kinds of membership restrictions:

"Nearly three-fourths of the funds exclude no employees of the establishment from membership, but the remaining funds exclude certain employees, as follows: Females are excluded by 54 funds, including four which exclude married women only; colored persons by 37; those not working in certain specified departments of the establishments by 18; those earning less than certain specified amounts by 15; those employed in certain specified occupations, usually the more hazardous ones, by 14; officers, superintendents, foremen, salaried men and office force by 9; those not living within certain specified limits by 3; those not citizens of the United States by 2; those not belonging to any labor union by one; those of certain specified nationalities by one; boys whose fathers are members by one; apprentices by one."

The mutual benefit association originated as a means of protecting as many as possible of the employees of a company and their dependents against sickness or disability, in some more systematic and just way than through occasional charity. Whatever can be done, therefore, to lessen the restrictions under which membership may be acquired, obviously comes nearest to meeting the standard of the mutual benefit idea as originally conceived. While it is impossible to admit to full membership in the society those who, for physical or other reasons, constitute a more hazardous risk than the average, practically all such special cases could be covered by providing various classes of memberships with rates based on relative risk, or by requiring a waiver of those afflicted with certain chronic ailments. This plan is followed by a number of associations.

#### APPLICATION FOR MEMBERSHIP

A number of mutual benefit societies treat an application for membership as a matter of considerable importance. The prospective member is required to make formal application in writing to the proper official of the organization. In some cases the application must be formally presented to the executive or governing board or to the entire membership in a regular meeting for consideration and vote. Often it is necessary that the applicant be vouched for by one or more members of the association.

In case the application is approved, the candidate is notified and a membership card or certificate is sent him as an evidence

<sup>1</sup>United States, Commissioner of Labor, Twenty-third Annual Report, Washington, 1908, p. 396.

of his membership, together with a copy of the constitution and by-laws of the association. As a preliminary step some associations have adopted the plan of sending the new employee a letter calling attention to the association and soliciting his membership. This is explained and illustrations presented in a later section of this report.<sup>1</sup>

Where an initiation fee is charged, this is sometimes collected when the application blank is signed. Otherwise the initiation fee is collected before the applicant receives his membership card or certificate.

If a physical examination is required by the association, this must result favorably before admission to membership is completed.

Application forms differ. In general, however, they present the applicant's request for membership; his consent to collection of dues by the paymaster, if dues are collected that way; designate dependents of applicant for whose death benefits would be claimed, if such benefits are allowed; certify that applicant is temperate in habits and free from chronic or contagious disease. Usually provision is made for the signature of the applicant and for approval of the application by one or more officers of the association.

Not all of the points mentioned are included in every application form. Some are quite brief and merely declare the employee's desire to join, and request action on the application.

Apparently the fulfillment of certain formalities on the part of an applicant for membership to a benefit association is to be recommended up to a reasonable point. Such formalities have been found to add a dignity to membership in the association, give to the applicant the feeling that it is an honor to be elected to membership, and also that the organization is conducted on a systematic, discriminating basis and not in an indifferent, slipshod fashion.

#### EFFECT OF TERMINATION OF EMPLOYMENT ON MEMBERSHIP

The effect on membership of termination of employment varies considerably in different associations. In some cases termination of employment, regardless of the cause, automatically terminates membership in the association. Some associations permit retention of membership without any qualifications

<sup>1</sup>See p. 40.

or restriction. In other cases membership may be retained for a specified length of time under certain conditions. In still others, membership may be retained with respect to certain benefits but not with respect to others.

The relation of termination of employment to membership raises three types of questions, viz.: the effect on membership (a) of temporary lay-off, due to lack of work; (b) of discharge or voluntary termination; (c) of forced termination of employment due to disability.

### *Temporary Lay-off*

The associations which provide for temporary lay-off of members due to slack work or industrial depression usually stipulate a definite period during which membership may be retained under such conditions. This period varies, in general, from ten days to one year. However, the length of time is sometimes not stipulated but is left to the judgment of the governing body of the association.

Some associations permit the retention of membership under temporary lay-off up to a specified period, without the payment of dues. At the end of that period, say thirty days, an extension of time may be granted on request and by action of the board of directors, executive committee or similar body. One association follows the plan of issuing a reserve card good for twelve months. The holder of such card is exempt from dues, and receives no benefits during his lay-off, but may be reinstated without penalties, upon re-employment.

A Connecticut fund permits a member, on the approval of the establishment, to accept employment with another firm for a period not to exceed four months, during two of which he is entitled to all the benefits of the society. For the remaining two months he shall not be entitled to any benefits or privileges, but on re-employment in the old firm such benefits are open to him again.

Most of the associations which permit retention of membership when a plant is temporarily closed down require the payment of dues during the period. A modification of this general policy is the regulation which permits an employee to retain membership and draw benefits without paying dues, for a specified length of time, but requires him, as soon as he is reinstated, to pay double dues until his indebtedness is canceled.

Similarly, another association provides that employees who have been in service six months may be carried in good standing without assessments for sixty days. If they cannot obtain employment in the company again within sixty days, the right to benefits lapses until employment is resumed.

In only a few cases is a member penalized when he rejoins the association after being temporarily laid off. Under the rules of one association a member who returns to work may be reinstated on payment of all back dues, or he may join as a new member. Another association allows membership to be retained for two weeks in case of unemployment, after which it ceases; but if employment is resumed within three months the employee may be reinstated by the payment of 50% of the initiation fee.

Several associations make special provisions covering temporary lay-off of employees who have been in service for a specified time. For instance, in one case membership is continued for sixty days if the employee has been six months in service, further extension of time being dependent on special arrangements with the factory manager. A preceding paragraph cites another association which grants special privileges to those six months or more in the service of the establishment.

An association which reorganizes each year and declares a pro rata dividend out of the funds in hand at the end of every twelve months provides that when members are out of employment because of lack of work at the plant, an employee may share in this dividend for the current year, according to his period of membership for the year. During the time he is absent from the plant an employee pays no dues and receives no benefits, but if he returns within the current year he may become a member in good standing.

Some associations prohibit those who retain membership when temporarily laid off from engaging in occupations of a hazardous nature.

#### *Voluntary Termination or Discharge*

In all but a few of the associations studied the conditions governing the status of members who voluntarily terminate their service with a company, and of those who are discharged, are practically identical.

The discussion of voluntary termination or discharge divides itself into a consideration of (1) those plans under which mem-

bership ceases automatically upon termination of employment or at the time of discharge, and also those plans under which membership lapses within a certain definitely specified period; (2) those plans under which a retention of membership is based on length of membership or employment previous to termination; (3) those plans under which membership is affected by residence within a certain locality, area or radius; (4) those plans under which members whose employment is terminated voluntarily or by discharge lose or retain certain privileges or benefits; (5) those plans which provide for membership on re-employment; and (6) those in which membership is unconditionally retained after leaving the establishment.

In some associations the regulations stipulate that an employee's membership ceases automatically when he leaves the establishment. Other associations, however, provide that membership or benefits may be retained for a specified time. The time may be designated either in days, weeks, months or years or in the following manner: "the end of the current month," "end of current year," "one month from date of last receipt for dues," "until next dividend date," and "the expiration of the time covered by the last dues paid."

#### *Conditional Retention of Membership*

In a number of associations the conditions under which membership may be retained are based upon length of membership in the society or the term of service with the establishment. One association, for instance, stipulates that membership ceases with termination of employment, except that an employee who has been a member for five consecutive years preceding termination of employment may make application in writing, and if his application is approved by a two-thirds vote of the board of directors and charter members, his membership shall continue. Another association which has discontinued the general practice of permitting those who leave the employ of the company to continue their membership, now extends this privilege only to such as may have served the company for twenty-five years or more.

Residence within a certain locality, area or radius is essential to the continuance of membership in some associations after leaving the employ of the establishment. A Hartford, Connecticut, association provides that an employee leaving the service

of the company may retain his membership as long as he is employed in Hartford and resides within a radius of ten miles of the city. Under the provisions of another fund, a member may be continued in the society if he complies with the regulations and resides within a radius of seventy-five miles. Two other associations limit the residence radius to twenty to thirty miles respectively. Several funds limit the retention of membership to those residing within the county in which the factory is located. One association fixes the residence limit as "within a five-cent carfare limit of the city."

Where membership is extended to those who have ceased to be employees of the establishment, it is usually on a compromise basis. This may take several forms. For example, certain benefits or privileges enjoyed by employee members are denied those who are not employees; or non-employee members are not permitted to hold office or to vote. Some associations require from an ex-employee extra dues up to double the amount of regular dues. In every case where membership is retainable after leaving the employ of the company, all dues and assessments must be paid.

#### *Refunds of Dues and Assessments*

Some associations refund to members leaving the establishment a part of the dues and assessments which they have paid and against which benefits have not been drawn. One association refunds to a discharged member all assessments for the half year preceding discharge. This association, however, makes no refund in the case of voluntary termination of employment. In another association, membership ceases at once on termination of employment and all dues paid in advance are refunded. Two associations permit members leaving the company to share in the pro rata dividend at the end of the current year.

In another association a member who leaves gets back 50% of the dues he has paid in or, if he has received any benefits, 50% of dues paid in, less such benefits. If an employee leaves within thirty days of the time he was employed, one association provides for a refund of his initiation fee. One-half the initiation fee and any assessments paid in advance are refunded by a Massachusetts society. A Connecticut association returns to the member leaving the employ of the company 25% of the total amount he has paid in excess of the amount he has received in benefits.

A New York association shows a divergence from the general practice in this respect. It provides that a member may either retain membership upon termination of employment, or he may withdraw and receive from the association "a sum of money equal to one-quarter of the difference between the amount of money paid into the association by him and all disability benefits, if any, received by him."

#### *Payment of Partial Benefits*

Several funds studied allow only partial benefits to those who leave the establishment. A New Jersey society provides that "any member of this Association leaving the employ of the company shall be insured for sickness only and in case of death resulting from sickness only." Some associations allow benefits for accidents to former employees occurring during the performance of duty only.

An eastern steel company's mutual benefit association provides that "members of five years' standing leaving the employ of the company may retain their regular funeral benefits by continuing payments therefor at the rate of four cents per annum for each year of their age at the time of admission to membership for each \$50 of death benefits retained."

A mid-western society allows continuation of membership upon termination of employment, in respect to death benefits. This privilege is extended only to those who have been three years in the company's service, and members of the society for one year. Death benefits cost the ex-employee five cents a week for each \$200 insurance retained.

In other associations distinctions are also made in favor of charter members or members who have been in the association for periods ranging from three months to five years. Women who have left to be married are sometimes excluded from continuing their membership.

#### *Effect of Re-employment*

The effect of re-employment on membership in an association, and the procedure necessary to rejoin upon re-employment, vary with different concerns. In some instances membership is automatically renewed by re-employment. This is inevitable in the case of associations having compulsory membership.

Practices differ as to the payment of another initiation fee or a portion of it, the payment of back dues, and other formalities

required of the former member who desires to regain his membership. In one company membership is automatically renewed and no initiation fee is required. Another association provides that a former member may be reinstated upon application and approval and the payment of an admission fee of \$1, provided he is not over fifty years of age. A New England association provides for the reinstatement of a former employee without the payment of any back dues or assessments. The by-laws of one society provide that any employee who has been a continuous member of the company for five years, leaves its employ and returns in sixty days may, on the approval of the executive committee and the payment of all back dues, be reinstated and counted as a member of five years' standing. Another association provides that if a former employee returns within sixty days his membership may be restored by the payment of intervening assessments.

A few associations penalize former employees seeking reinstatement, by imposing a specified period before the expiration of which no benefits may be drawn. One society, for example, permits such an employee to be reinstated without any restriction except that he is not permitted to draw benefits for one month. A number also require specific approval of such an employee's application by a majority of the governing board or society members before he can be readmitted.

#### *Unconditional Retention of Membership*

Very few associations permit non-employee members to retain membership on the same basis as members who are employees. It is significant, also that a number of those associations which originally allowed an ex-employee full membership privileges have abandoned this policy because of the belief that it is detrimental to the interests of the association. In this connection an Ohio company wrote:

“Originally we allowed membership in the association as long as a member remained in the county in which our factory is located. This has now been changed because we found that the outside membership grew larger and larger and became a larger influence in conducting the affairs of the association. Membership is now confined to those in the employ of the company.”

This concern waives this restriction for those who have been with the company twenty-five years.

On the same point another middle western concern wrote:

"Originally men were allowed to retain their membership with the association after leaving our employ. This has been changed so that a man's membership with the association terminates when he leaves our employ. This change was made so the control of the association would always remain with the employees of the \_\_\_\_\_ company. During the time mentioned . . . most of the officers left and they tried to handle the association from the outside. The employees of course, objected and changed the constitution and by-laws at the next election."

Other associations which in the past have permitted ex-employees to retain membership appear to be coming more and more to the opinion of the concerns quoted on this point.

#### EFFECT OF TERMINATION DUE TO DISABILITY

The status of members who, by reason of disability, are forced to terminate their service with the establishment receives special attention on the part of some associations. The provisions made by a number of societies in this respect apply not only to a member's status during the disability period and at its expiration, but also to the procedure necessary on the member's part to regain membership upon re-employment.

A Massachusetts association provides that when a member leaves the employ of the company while disabled through sickness or accident, he may receive sickness or disability benefits for two years, or his beneficiaries may receive death benefits, on the same basis as other members, provided the member has not, since leaving service, secured other remunerative employment.

The regulations of one fund stipulate that membership ceases when, for four weeks following the beneficial period, a member has been unable to fill his position. In this connection also, a Massachusetts association provides that a member who on account of mental or physical disability is obliged to withdraw from the active employ of the company for an indefinite period, by giving notice within thirty days of such withdrawal to the secretary, may retain his membership in the association until such time as in the judgment of the Board of Supervisors he has sufficiently recovered so as to be able to follow his usual or some other remunerative employment. A Connecticut society provides that any member who shall have received the full amount of benefit in a year and who shall have been continuously unable to work on account of sickness for a period of one

year, shall be entitled to draw benefits again for a period of one year, up to the full amount. Upon receipt of the second full amount of benefits, such member shall forfeit his membership in the association.

Several associations base their rules regarding disabled members largely on their length of service with the company or their period of membership in the society. One association stipulates that an employee who has been a member for five years and is compelled to leave the employ of the company on account of disability may, by paying death assessments, remain eligible for death benefits only. This provision holds good, however, only so long as such employees are not employed elsewhere.

The association in a New England plant provides for the payment of annuities to members who are retired from active service in the company by reason of age or physical condition. The amount of the annuity is fixed at the time of retirement and is based upon actuarial computations adopted by the board of trustees.

A Boston association provides that "a member who has not reported for duty at the factory for one year, by reason of sickness or disability, shall not be entitled to further benefits for sickness or disability, or subject to further assessments during the continuance of such absence, but death benefits shall be paid as hereinafter provided." For such members the association provides a death benefit without assessment for one year, provided they have been members at least one year previous to the time of leaving the company's employ.

An eastern Pennsylvania establishment provides that members leaving the employ of the company while disabled shall be entitled to receive benefits for two annual beneficial periods, provided they have not in the meantime secured remunerative employment. During the same period beneficiaries of such a member are entitled to benefit in case of his death.

A New England association provides that any member who is obliged to remain away from his work for two successive years on account of sickness or disability, will not, after the expiration of this period, be entitled to sick benefits, but by continued payment of dues will be entitled to death benefits.

The few associations which in their application forms mention the question of reinstatement for a member who has terminated his employment because of disability, provide that if he returns

later, he may be reinstated without the enforcement of any penalty such as the payment of an entrance fee or back dues. Usually, however, it is provided that reinstatement in such cases must be subject to the approval of the governing body.

So far as can be ascertained from the mutual benefit associations studied, there are no provisions for medical examination of members who have been compelled to terminate employment because of disability and who are later readmitted to membership again upon recovery.

#### EFFECT OF FAILURE TO PAY DUES

Almost all of the associations having voluntary membership have incorporated in their constitutions or by-laws regulations covering members who become in arrears for dues and assessments. Where collection is made through the payroll, no member can fall in arrears, unless he is laid off through disability or the amount in his pay envelope is less than his dues. Where, however, dues are collected either by an officer of the society or are paid to the secretary or treasurer by each member in person, regulations are necessary to insure prompt payment.

The association regulations which cover the question of arrears in dues and assessments give attention to (1) the maximum period for which arrears are permitted, and the penalties applied; (2) the conditions under which those suspended or expelled for arrears may be reinstated; and (3) the period of waiting imposed upon those who are reinstated, before they may again become entitled to benefits.

#### *Time Limit for Arrears*

Those funds which name a minimum or maximum period for which arrears in dues or assessments are permitted to run, stipulate a definite number of days, weeks or months; a definite day or time in the month; or a certain number of payments. The range is from one to sixty days; from one to twenty-six weeks; and from one to six months. The "tenth day of the month," the "last day of the month" and similar designations are made in some cases. One association studied stipulates that a member who passes three payment periods is in arrears.

#### *Penalties*

In the majority of associations the penalty for arrears up to a maximum period is merely suspension of either disability

or death benefits. Frequently notice of arrears is sent to the delinquent member and he is allowed anywhere from one week to six months to protect his membership by the payment of arrears. One association, for example, provides that a member is in arrears when he has failed to pay dues for thirteen weeks, at the end of which time he is not entitled to benefits. If he has not paid up arrears at the end of twenty-six weeks he is given a further four weeks' notice. If at the end of that time the arrears are not paid he is suspended from membership. In another society no member six weeks in arrears may draw benefits. If he is still in arrears at the end of twelve weeks he is suspended. Similarly another organization suspends benefits to a member one month in arrears and suspends membership if he is still in arrears at the end of two months. Other associations provide variations of this plan of dealing with members in arrears. As an example, one society provides the following sliding scale of arrears and penalties: A member one month in arrears may not draw benefits until one week after he has paid up in full: One week's penalty is added for every additional week of arrears, until at the end of two months the member is suspended.

An exception to such practices is provided by one association which for every week of arrears up to one month imposes a fine of ten cents. Some associations also do not provide for any probation period within which a member may protect his membership by the payment of arrears. In these funds a member who is in arrears for a stated period is automatically dropped, or suspended without further notice.

#### *Reinstatement*

Conditions governing the reinstatement of members who have been suspended or dropped for failure to pay dues or assessments vary. Some provide for reinstatement by the payment of dues owing at the time of suspension or those accruing during the period of suspension. In other cases an additional fine is exacted. For instance, one association fines such suspended member 25 cents; another exacts a fine of \$1 if the member is three months in arrears. The same fund also requires for reinstatement the payment of all back dues and dues for one month in advance. Another requires the payment of an entrance fee, all back dues and a fine of 80 cents.

A number of funds require the delinquent to enter as a new member, paying all fees and dues required of such. One society requires a member two months in arrears to pay up and then wait eight weeks before again becoming entitled to benefits. If he becomes six months in arrears he is suspended and is required to wait six months before he may be admitted again. By paying his arrears and, in addition, the regular initiation fee and presenting a certificate of good health from the association physician, he may be admitted as a new member, provided his application is approved by a majority of the society members.

In addition to the other penalties enumerated, some associations require a delinquent member renewing his membership to wait a certain period before he again becomes entitled to benefits. In the plans studied this period ranges from two weeks to three months.

Special approval or vote of the governing body or of the membership in general is a prerequisite for the renewal of membership in a number of associations.

To prevent members who become sick while in arrears from paying up arrears in order to receive benefits, a number of associations have incorporated special clauses in their constitutions prohibiting such action.

#### INTERESTING EMPLOYEES IN THE ASSOCIATION

One of the best measures of success of a mutual benefit association in which membership is voluntary is the percentage of eligible employees who are members. The Board's study shows conclusively that in order to obtain a large percentage of employees as members the association must recommend itself to the workers. In this it is comparable to a commercial insurance company in which the sales organization plays so important a part.

The younger workers who are in good health and who are a good risk from the insurance standpoint do not give much thought to the possible effect sickness or accident may have upon their earning power. They have to be shown the necessity and value of securing protection for themselves in the case of disability. On the other hand, both employees who are constitutionally susceptible to disease and those who are older or who have families to support appreciate the advantages of a benefit association and are usually quite willing to join it. The mem-

bership of an association must be so constituted, however, that the risk is well distributed. Unless there is an annual increment of the younger and healthier workers in an association, in a short time more money will be paid out in benefits than is being received in dues and assessments and the organization will become defunct. In view of this fact that in a purely voluntary organization the type of worker who is more desirable from the association standpoint is not prompted to become a member, it is essential that some means be adopted whereby the advantages of the organization may be brought to the attention of such employees with the object of inducing them to join.

Interest in the association may be aroused in a number of ways. In many instances the practice is followed of endeavoring to interest the employee in the association at the time he is employed. The success of this plan in getting members depends largely on the manner in which the new employee is approached. While the beginning of his employment is undoubtedly an opportune moment to interest the employee in the association, it may be done in such a way that he may not think it wise to refuse to join. If this is so, membership, while nominally voluntary, is in reality compulsory. In several plants, instead of trying to persuade the prospective member to join when he is employed, a letter is sent to him inviting him to become a member and affording him certain inducements to do so. The following is a letter used in a middle western plant:

"You are cordially invited to join the —— Mutual Relief Association, managed by your fellow employees for their mutual benefit, as you will see from the enclosed copy of by-laws

"It is taken for granted that you desire to avail yourself of the privileges of this organization.

"If you join within 30 days you save \$1.40, half of the membership fee, so for that reason I have filed with the Directors an application for membership for you.

"In this way you get the full benefit of prompt action, and if this is not in accordance with your wishes, please let me know at once."

The significance of this method of approaching new employees lies in the fact that, unless the worker notifies the secretary to the contrary, he automatically becomes a member. It is easier for the prospective member to acquiesce than to refuse to join because in the latter case he is expected to notify the secretary either in writing or in person. The letter places the prospective

member in a position where the path of least resistance leads him to join the association.

Although this method of presenting the association to new employees is one that may result in building up a large membership, it may, unless properly handled, produce a spirit of resentment among the workers, who may regard it as veiled compulsion. If this should be the case the price paid for a large percentage of members would be too high and some other method should be adopted.

In another company the same type of letter, requiring written notice of refusal from the employee if he does not wish to join the association, reads:

"You are hereby notified that from the date of your entering the employment of \_\_\_\_\_ you have been enrolled as a statutory member of the Benefit Association of \_\_\_\_\_, and are thereby eligible to any compensation provided by law.

"You are hereby further notified that you are eligible for full... limited... membership in Class... of such Association, entitled to the benefits thereof and subject to the conditions of the Constitution and By-laws of the Association, a copy of which is enclosed herewith.

"Unless written notice of your wish not to accept such membership is received before... you will be enrolled as a full... limited... member of Class..., dating from... a full certificate of full ... limited ... membership will be issued to you and a deduction of ... cents per week will be made from your wages thereafter."

### *Special Methods in Use*

Solicitation of new employees by members, by foremen, or by officers of the association is the practice in many organizations. Where the association has an energetic secretary who consistently keeps after prospective members and encourages members to do likewise, personal solicitation may bring good results. Experience seems to show, however, that special campaigns and methods are usually necessary to attain desirable results.

Various special methods and plans are used to get new members. That of paying a commission to those who secure new members is followed in a few instances. Under this plan any member may collect a commission of a certain amount per head for each new member brought in or one member may be appointed as the association's salesman. An official of a Connecticut company whose association follows the latter plan wrote:

"At first the organization depended entirely upon voluntary applications solicited by members, but this did not work out. We then adopted the method of appointing one man in our organization to solicit applications from new employees, paying him a commission of 50 cents on each application obtained. This practice brought immediate results and is followed now."

Special membership committees work out to advantage in some societies. A New York State machine company describes its membership committee plan as follows:

"Each year at the annual meeting a membership Committee is appointed. We place some one from each department on this membership Committee and they make it a point to talk to each and every employee in their department and endeavor to get them to join the association. We invariably succeed in getting 98% of the employees."

Foremen and department heads do the bulk of the soliciting work in an eastern association. Of its plan an official says:

"Our membership since the organization of the society has averaged around 90%. This high percentage has been made possible by the close attention and cooperation of the foremen and department heads. All foremen and department heads, on the first of each month are given a list of non-members, which lessens their work in locating the non-members in their department."

Where foremen or department heads are depended on for the membership campaigns, these campaigns sometimes take the form of a contest, with various departments pitted against each other. A spirit of friendly rivalry thus developed and kept alive through the posting from time to time of the records of each department in the contest, has proved a splendid incentive. In the same manner members may be organized into groups and a contest waged to see which group can secure the largest number of new members. Suitable prizes may be offered to the winning team or its members. Announcement of the standing of the various teams should be made from time to time. It has been found best that such contests should continue only during a limited period, in order that contestants may not lose interest.

Lessening the dues of the members in a particular section of the plant when the association funds of that section reach a certain amount, or extending this plan to include the entire plant, is another device used to induce association members to bring in new recruits. Members thereby secure their insurance

sources for revenue is, as will be pointed out, fraught with at a low rate and naturally try to bring in as many new members as possible in order to bring down their own dues.

Special leaflets, notices on bulletin boards and in the house organ, posters, and other printed media are used to keep the mutual aid association before the employees. "We are continually advertising the Mutual Benefit Association in our Works News, on the backs of pay envelopes and by personal appeal," wrote an Indiana firm. Some concerns insert in the pay envelopes at regular intervals small leaflets or bulletins explaining the organization in detail.

Variations of these methods are, of course, used. Most of the special plans mentioned are supplemented by personal solicitation or contact.

Bonus plans of various forms have proved effective in several establishments. One of these takes the form of an offer on the part of the employer to pay additional disability benefits as the percentage of membership increases. For instance, if the percentage of membership reaches 75% of the number eligible for membership, the company adds \$1 a week to the disability benefit allowed by the society. If the percentage of membership reaches 90%, the company adds \$2 a week to the benefit.

The drawback to this plan is that it benefits only those who become disabled—a comparatively small percentage of the members. Naturally, therefore, under such a plan, those who enjoy normal health will not have much interest in working for increased membership.

As an alternative to this plan, the employer in some cases contracts to pay a certain percentage of the dues of each member when the membership in a particular department or in the plant as a whole reaches a certain percentage of those eligible for membership. Under this plan the employer pays one cent a week of the dues of members when the membership reached 75%, and two cents a week when the membership reached 90%. If the plant as a whole is taken as the unit, there is the possibility that under this plan certain departments will work harder and contribute more proportionately than others. Ill feeling is thus apt to arise against the laggard departments. For this reason it has been found better to localize the plan, applying it to each department rather than to the plant as a unit.

It may be objected that this plan entails considerable clerical labor in figuring weekly percentages. This difficulty may be

obviated either by using the membership at the end of each quarter as the basis for the next quarter, or by allowing each member a refund equal to the company's contribution for the quarter.

To overcome the possibility that the company's contribution might become an "old story," it is necessary to devise ways to make the payment of the bonus somewhat of an event. It has been suggested that a bonus of some percentage of the dues be paid once each month, quarter or half year, and that special announcement be made at the time of payment. Bulletin boards, special posters or the company house organ may be utilized for this purpose; or, if meetings of the society are held often enough, the bonus can be made the subject of special announcement therein. In any event, the company's bonus payments should not be allowed to become commonplace or to go unnoticed, or they will lose their value.

#### COMMERCIAL REINSURANCE

Which is the better plan for providing protection for employees in the case of sickness, accidents and death, that of a mutual benefit association in which the risk is carried jointly by employer and employees, or a mutual benefit association in which the employees pay part of the premium, but the risk is carried by a commercial insurance company on a group life and disability contract?

#### *Distribution of the Risk*

The evidence suggests that it is questionable whether there is sufficient distribution of the risk, except in the larger plants, to enable a mutual benefit association which is not reinsured in a commercial insurance company to operate on a sound financial basis. In a small plant, the death or protracted illness of but a few members may place such a strain upon the treasury of the association that it may be forced to suspend payment of benefits or experience other financial difficulties. The schedule of benefits, if it is to be adequate, is so much out of proportion to the income that can be derived from reasonable dues and assessments of members that the association is apt at times to be in a perilous financial condition, and to fail the members when they most need its protection. While it is true that social or recreational activities provide a means of securing additional income, the policy of depending on such

sources for revenue is, as will be pointed out, fraught with danger to the association. If it is desired to organize a mutual benefit association which will be financed by employer and employees, experience shows it to be the better policy, except in the larger plants, that death benefits be provided through a group life contract with a commercial insurance company. The sick and disability benefits may be financed within the plant. In many instances, employers who provide life insurance for their employees have made this insurance dependent upon membership in the mutual benefit association. This plan, rather than the provision of life insurance for all employees, is favored on the theory that a man more appreciates a thing that he has helped to pay for than something that is given to him for nothing. On the other side, there has to be considered the fact that such an arrangement does not provide protection for all the workers in the plant.

In plants employing several thousand workers the risk is apparently sufficiently distributed to furnish a sound basis for the operation of mutual benefit associations which are not re-insured. In such associations the difference between the schedule of benefits and the assured income from the dues and assessments of members is generally not such as to imperil the financial standing of the organizations.

Irrespective of the size of the plant in which it functions, a mutual benefit association, to be solvent, must have a reserve fund of a sufficient amount to meet all benefit claims that may be made upon it. A great majority of mutual benefit associations which are not insured do not fulfill this requirement—an elementary principle of insurance. Insurance companies, on the other hand, are compelled by law to maintain reserves of sufficient amount to meet all possible claims. From this standpoint, therefore, the association in which payment of benefits is guaranteed by an insurance company offers a much greater degree of security or protection to its members than the association which is not insured.

### *Catastrophic Epidemic Hazard*

In the larger as well as the smaller plants there is always to be considered the catastrophic or epidemic hazard. A mutual benefit association reinsured in a commercial insurance company which

has its risks distributed over many plants in many localities is obviously in a much stronger position than an association in which risk is concentrated in a single plant employing one hundred or one thousand workers. Those benefit associations which are financed entirely by employer and employees, the membership of which is spread among several plants in different parts of the country, have their risk better distributed than associations whose membership is confined to one plant, but even these associations have not so wide a distribution of risk as a commercial insurance company with policies in effect from coast to coast. On the basis of safety, therefore, a mutual benefit association which is reinsured is to be preferred to one that is financed either within a single plant or a single company.

#### *Rate of Benefits*

While insurance companies will write a group disability contract paying as low as \$5 a week disability benefits, the usual rate of benefits paid by associations which are reinsured is between \$10 and \$12 a week. As the common rates of disability benefits in the associations studied in this investigation are \$5 and \$6 a week, the group disability contract or a mutual benefit association reinsured by a commercial insurance company is preferable to the mutual benefit association financed within the plant, when considering the question of adequacy of disability benefits. Contributions of employers also are a factor in the rate of benefits which an association can pay. The lower rates of benefit are usually found in those associations which are financed entirely by the employees.

The adequacy of death benefits must also be considered. Commercial insurance companies will not write a group life insurance contract that provides less than \$250 insurance for each employee, and this must be increased to \$500 at the end of one year. The predominant death benefit paid by the mutual benefit associations which are not reinsured is \$100. The latter will no more than meet the ordinary expenses of burial, with little, if anything, left for a deceased member's dependents. A consideration of the death benefits paid by the great majority of mutual benefit associations which are financed by employers and employees, and of the amount of insurance placed on employees through a group life contract with an insurance company, shows that the latter plan provides a much more adequate

sum for the employee's dependents at the time of his death than the former. It has the further advantage that the employee may convert his group life policy into any one of the ordinary forms of insurance when he leaves the employ of the company.

The disability and death benefits provided by a number of the mutual benefit associations covered in this study compare quite favorably, however, with the insurance provided by commercial companies through group life and disability contracts. In these cases, the employer contributes to the funds of the association, thereby enabling the members to secure benefits that are adequate both during time of sickness or accident and at the time of death. This goes to show that inadequate benefits are not an inherent or irremediable defect in a mutual benefit association. A few of the associations which are not insured provide disability benefits of as high as 75% of weekly wages; in one association the members receive their weekly wages in full for ten weeks in a year, half of the benefits being paid by the association and half by the company. The great majority of associations which relate benefits to wages do not, however, pay more than 50% to 60% of the member's weekly wages. Experience shows that to exceed 66 $\frac{2}{3}$ % of weekly wages is liable to foster malingering. Where the disability benefit is more than two-thirds of the member's weekly wages the strictest supervision must be exercised over all benefit claims. The experience of commercial insurance companies has led them to restrict accident and health benefits to two-thirds of the insured employee's total weekly income from all sources.

Some employers state that the mutual benefit association which is financed entirely by the employer and employees can count upon a greater degree of cooperation from its members in the reduction and elimination of malingering than the association which is insured. This is on account of the financial interest that the members have in seeing that the funds of the association, which are made up in part of their own contributions, be expended on genuine benefit claims only. There is a danger, however, that this desire to safeguard the treasury of the association may lead them to refuse or curtail benefits to members who may be actually entitled to them. In this way, the association may defeat its own end, which is to provide protection for its members. The association which insures the payment of benefits in an insurance company does not need to

examine benefit claims with an eye to the amount of money in the treasury available for benefits. At the same time, the members of an insured mutual benefit association are interested in the prevention of malingering, as they know that the amount of dividend returned to the association by the insurance carrier, if a mutual company, depends in part upon the morbidity experience of the group. It is to their interest, therefore, to see that only members who are entitled to benefits receive them.

#### *Restrictions on Membership*

When a mutual benefit association insured on a contributory basis by a commercial carrier is organized in a plant, no restrictions are placed upon membership. It is open to all who, within a certain number of days, usually thirty, following the announcement of the plan, signify their intention of subscribing to it. Thereafter a probationary period of three months may be required of new members. The mutual benefit association which is not insured, must, for its own protection, have certain restrictions on membership, although at the time of the organization of such an association, all employees, irrespective of their age or physical condition, may be declared eligible for membership if they join within a certain time. The restrictions on membership in effect in most benefit associations which are not insured, act to exclude certain employees from the protection the associations afford. This is not the case with a contributory group disability contract with an insurance company.

#### *Restrictions on Benefits*

Similarly, most of the benefit associations studied have numerous restrictions regarding the payment of benefits which do not obtain in the benefit associations insured by commercial carriers. Benefit associations financed entirely by employer and employees do not, for instance, pay disability benefits for venereal disease or death benefits for suicide, while those associations insured by insurance companies usually pay benefits in such cases. These restrictions constitute a further limitation on the protection afforded employees in associations which are not insured. Another restriction of similar effect in most mutual benefit associations which are financed within a plant is that which requires a certain period of membership before a member is entitled to receive benefits. This is in contrast to contributory group disability contracts with an insurance com

pany in which benefits are usually paid irrespective of the length of time that the disabled employee has been insured.

#### *Percentage of Employees Covered*

As regards the percentage of employees who secure protection the mutual benefit association which is insured by an insurance company is to be preferred to the association which is self-contained. An insurance company will not write a contributory group disability contract unless 75% of the eligible workers are covered. In the associations studied in this investigation, the percentage of eligible employees who are members varies from 7% to 99%. Undoubtedly the average is below 75%. On the other hand, certain mutual benefit associations which have a large percentage of eligible employees as members have been notably successful. This success has been largely due to an adequate scale of benefits and the use of effective sales methods in presenting the organizations to the employees. An equal degree of success can undoubtedly be achieved by every mutual benefit association, if benefits are adequate in amount and if the organization conducts aggressive membership campaigns.

#### *Cost*

Because of the many varying factors involved, it has been found impossible to make an accurate comparison of the cost of the insurance provided by commercial insurance companies with that provided by mutual benefit associations which are not insured. While plants employing several thousand workers may be able to organize and finance mutual benefit associations as cheaply or more cheaply than if the insurance were carried by a commercial carrier, it must be noted that the organization and administration of a mutual benefit association entails considerable time and labor on the part of the employer, if it is to be a success. At the same time also, the element of catastrophic or epidemic hazard has to be considered, and this is best provided for, apparently, in the smaller plants through reinsurance for the payment of death benefits at least, if not disability benefits as well.

#### STATE SUPERVISION OR ASSISTANCE

The question as to whether associations for relief for employees and their families at the time of sickness, accident or death should be handled entirely by industry itself or whether the state

should aid and supervise this work cannot be determined at the present time because data regarding results of state supervision of mutual benefit associations are not obtainable in sufficient volume to enable a comparison to be made. Massachusetts is the only state which has experimented in this field.

As the result of an investigation of the subject of non-contributory health insurance and old age pensions by a special commission authorized by the Massachusetts legislature in 1918, it was recommended that provision be made for "further encouraging and promoting the organization of mutual benefit associations among the employees in industrial plants in Massachusetts as is already carried on under the direction of the Massachusetts Savings Bank Life Insurance."<sup>1</sup> In the words of the Commission:<sup>2</sup>

"It is our opinion that an ultimate solution of the sickness indemnity question may be partially reached at least through the growth and development of voluntary industrial mutual benefit associations now in operation. . . . It preserves to the individual his present freedom and exercise of resourcefulness, and makes it possible for him to insure voluntarily at a nominal fee."

Following the recommendation of the commission, the Savings Bank Life Insurance Division has assisted employers and employees who desire to cooperate in a plan of life and disability insurance for employees. It confers with employers as to the type of benefit association which would be best for the employees and the amount of the company's contribution to the fund. It advises the employees of the benefits to be derived from an association and assists them to perfect their organization, supplying application blanks, books of record and other forms needed.

The weekly disability benefits in an association organized under this plan cannot exceed \$15 per week. Benefits begin with the eighth day of disability and are payable for not more than ten weeks in any one year. The sickness benefits are paid direct from the association funds, whereas the life insurance is provided through the savings banks under a group policy issued to the employer. If the member leaves the employ of the company he may convert his policy into any one of the forms of insurance issued by the savings banks, except term insurance, in an amount equal to the amount of his protection under the group policy at the time of the termination of his employment. Life insurance to the amount of \$100 or over is issued.

<sup>1</sup>Massachusetts, Report of the Special Commission on Social Insurance, Boston, 1918, p. 175.

<sup>2</sup>*Ibid.*, p. 38.

## IV

### ADMINISTRATION

Apart from the minor details, there is little variation among methods of administering mutual benefit associations. Membership is in most instances confined to the employees within an individual concern and one group of officers conducts the business of the association. The size of a plant, however, may necessitate breaking the association up into more or less autonomous sections.

#### DIVISION OF AN ASSOCIATION INTO SECTIONS

In the case of an eastern concern which employs ten thousand workers, the association was originally operated as a single unit with one set of officers. It is at present divided into sections in each of which the membership is limited to 150. Male and female employees form separate sections. The association has but one officer called the General Chairman, appointed by the company. His duties are to "look after the interests of the association in general" and to see that all transactions are carried out in accordance with the constitution and by-laws. He calls special meetings of the association and presides at the same.

Each section of the association has its own officers, consisting of a chairman, a vice-chairman and a secretary-treasurer. These three officers, elected by the members of each section, together with six other members of a section, duly elected, constitute the board of directors for each section. A visiting committee is appointed by the chairman of each section to visit the disabled members of that section.

There are no regular meetings of the association, but special meetings may be called either by the general chairman or at the written request of the boards of directors of three or more sections. Each section holds an annual meeting and the board of directors of each section meets monthly.

Each section is run independently of the others, apart from a per capita contribution made by each section to an "Emergency and Death Benefit Fund" which is in charge of a com-

mittee composed of the chairman of each section, together with the general chairman as chairman of the committee. Death benefits are paid from this fund, but each section pays temporary disability benefits to its members out of its own treasury. The Emergency Fund Committee may levy assessments upon all members of the association when, in its judgment, conditions warrant it.

When the funds in the treasury of a section fall below \$100 the general chairman, after investigation, pays from the emergency fund to the account of such a section a sum equal to the difference between the amount in its treasury and \$200.

When the funds in the treasury of a section exceed \$400 the surplus is paid into the emergency fund treasury. When the amount in the emergency fund treasury reaches \$7,500, weekly dues are discontinued until the funds are reduced to \$4,500, when the payment of weekly dues is resumed by the members of all sections.

According to the company, by the division of the association into self-governing sections the members are brought into closer contact with the officers, the work of administration is divided among more employees and the inter-section rivalry that has developed has been of material value to the association. Competition is keen among the sections to secure as many of the eligible employees as members as is possible. No section wants to have to call upon the emergency fund treasury for assistance and each section endeavors to secure the distinction of being the most efficiently run and the least costly to its members. The percentage of eligible employees in the plant who have been members during the period 1913 to 1921 is as follows: 1913, 53.5%; 1914, 69.7%; 1915, 63.6%; 1916, 57.8%; 1917, 61.7%; 1918, 68.7%; 1919, 69.7%; 1920, 73.9%; 1921, 87%.

#### CENTRALIZED ASSOCIATION FOR SEVERAL PLANTS OF ONE COMPANY

When a company has several plants situated in different parts of the country it may be found desirable to organize one central benefit association rather than to form independent associations at each plant.

A Massachusetts company has plants in New England, Kentucky and Minnesota. The employees' mutual benefit

association in this company is directed from one of the New England plants and is under the immediate charge of the association manager who has supervision of "all business pertaining to the benefit association." The members of the association in each plant elect one of their number to represent them on an advisory committee which has general supervision of the operation of the association. The committee, composed of an equal number of representatives of the members and of the company, meets in Boston semi-annually and at other times on the call of the chairman. Dues are deducted through the medium of the payrolls at the various plants and are remitted at the end of each month to the office of the manager of the association. All applications for benefits must be approved by the manager before payment is made. It is stated that it takes not longer than five days for a claim for benefits to be forwarded, passed by the manager and check for payment to reach a member of the association in Kentucky.

The manager of the association states:

"We did not consider independent associations at each plant as a good proposition. Some of our branches are rather small, and a united association has a much better chance to grow stronger and succeed than several small ones. With one management, one set of rules and regulations, and proper representation on the Advisory Committee, we feel that our present system is much better."

At the time of this report 43% of the employees eligible for membership are members of the association.

#### OFFICERS

The question of the selection of officers to run the affairs of a mutual benefit association should be given special consideration, since the failure of more than one association can be largely traced to the failure of its officers to live up to their responsibilities. Officers should be enthusiastic, able to inspire the members of the association to constant effort in behalf of the association, and, above all, they should be possessed of a keen business sense and the ability to handle the affairs of the association on business principles. Especially is this true of the association controlled or managed by employees alone.

The qualifications entitling a member to hold office, the number of officers needed, the method of their selection, what duties they should perform, their period of service, whether

they should be bonded or not, whether they should receive remuneration or not, and whether or not the company should participate in the administration of a society to the extent of representation on its governing board, are all questions requiring early decision by those who organize a mutual benefit association.

### *Eligibility*

Few of the associations included in this study give special attention to the question of the qualifications of officers.

In a great many associations no mention is made of the qualifications which a member must possess in order to become an officer. Apparently it is understood in such cases that in order to hold office, membership and good standing in the organization are requisites. A survey of those associations which prescribe certain qualifications for the office holder shows that membership in the society, arrears in dues, termination of employment, age and period of service with the establishment, are factors which have a direct bearing on eligibility for office.

A New York association provides that no one can hold office who is not a member in good standing. Arrears in dues disqualify for office. Termination of service with the establishment automatically disqualifies one from holding office. Several funds provide that no one who has not been a member for at least six months may hold office. Age restrictions are prescribed by several associations. Usually it is provided that no one under twenty-one years of age may hold office. Various periods of service with the establishment are necessary in different funds before one may be eligible for office. A common period is one year, although in some cases it runs as high as five years.

In one association the management of which is shared by the company and the employees, the governing board is composed of seven directors. Five of these are elected by members. These five must be members of the fund. Two, however, are appointed by the company. It is not necessary that the latter be members of the fund.

Within reasonable limits, restrictions governing eligibility for office are apparently desirable as lending dignity to office.

Each association must determine, however, what form such restrictions should take in its own case.

#### *Number*

The number of officers varies according to the individual society. Commonly the officers consist of a president, vice-president, secretary and treasurer, with the further occasional addition of such officers as actuary, auditor, sergeant-at-arms, marshal, collector or collectors, stewards or other special officers. In addition to such officers, a large number of the associations studied have a governing board known variously as the board of trustees, board of directors, official board, or executive board or committee.

The number of members on the governing board generally ranges from two to ten. This number may be increased when representation is by departments. In some cases the governing board is not a separate group but is composed of the officers of the society. In this form it is sometimes known as the executive board or executive committee. Sometimes, however, the governing board consists of the officers of the association and additional members who are either elected or appointed.

A few associations do not have a president or vice-president. It is customary in such cases to have either a recording secretary and a financial secretary; or a secretary and a treasurer; or these officers may be combined in a secretary-treasurer. Sometimes also the single officer of an association is known either as the secretary or the treasurer.

In a few cases the mutual benefit association is simply an auxiliary of a works council or of an employees' association which comprehends other activities besides the payment of benefits. In such cases the officers of the primary organization, whether it be a works council or an employees' association, are usually the officers of the mutual benefit association also.

In one benefit association whose affairs are managed as part of a works council, known as an advisory council, each department is represented by a committee of five, four of whom are elected by the advisory council annually. The fifth member of the committee is the advisory council member representing the department in question, who is chairman of the committee. This committee, known as the department executive committee of the association, elects its own secretary.

Another association which is under the supervision of a works council has its own officers, whose duties are outlined by the representatives committee of the council, which is composed of members selected jointly by employer and employees.

A New York fund which is conducted as a part of a general employees' association has the same officers as the general association. The officers consist of a president, vice-president, secretary-treasurer and general counselor. The affairs of the association are managed by a council whose membership consists of one representative from each works department, one representative from the combined office and laboratory staff, and the officers of the association.

### *Election*

The methods of electing or appointing officers differ widely. In a majority of associations the officers are elected by the members. In other associations, one or more officers are elected by the members and the others are selected by the governing board or by the company. In one association the regular officers are elected by the society. The president in turn selects seven members of the board of trustees, which is composed of the society officers and the seven members mentioned. Two each of the seven members appointed by the president must be from the machine department, the structural department and the foundry department, and one from the pattern department.

In another association, according to its by-laws, the officers consist of "a president, a vice-president, a secretary, a treasurer, a financial secretary and an executive board of seven persons, of whom one shall be the financial secretary of the association; two shall be appointed by the company; three shall be ex-officio the president, the treasurer and the secretary of the association, and the seventh shall be elected by these six." It is also provided that the financial secretary is to be appointed by the company. The officers of a New England fund consist of a president, vice-president, secretary, treasurer and a board of seven directors. Six of these directors are elected by the members of the fund to represent various departments. The seventh director is appointed by the company to represent it. The president and secretary are elected by

fund members and the treasurer is the paymaster of the company. Vacancies in the board of directors are filled by special election. Vacancies in the offices of president or secretary are filled by the board of directors.

In another society the president, vice-president and directors are elected by popular vote, the secretary-treasurer is selected by the directors and an actuary is appointed by the company. The procedure in a New York fund consists of a popular election of the board of directors, who in turn choose all other officers with the exception of the secretary and treasurer. The former is appointed by the establishment and the functions of the latter are vested in the establishment itself.

In a number of instances the society members elect directors or trustees who from their own number select such officers as a president, vice-president, secretary or treasurer. According to the by-laws of one association, the executive officers of the association must consist of a president, vice-president, treasurer, secretary and assistant secretary and a board of directors. The directors are elected by ballot of the members prior to the annual meeting. The directors nominate and appoint the officers of the fund. It is stipulated in the by-laws that the secretary, treasurer and assistant secretary need not be members of the board, but that the president and vice-president must be board members. In a number of instances it is provided that the treasurer or paymaster of the establishment shall be the treasurer of the association.

A Michigan aid society "is in the executive charge of a board of trustees, consisting of four members representing the employees . . . and one member representing the company." There are no other officers. The board of trustees elects its own chairman. The governing body of a Wisconsin association, which is conducted as part of an employees' cooperative association, is known as the joint council. This consists of eight members, four of whom are appointed by the shop committee of the association and four by the company. It elects its own officers, consisting of a president, vice-president, recording secretary, financial secretary and treasurer.

In two funds studied, the company exercises entire control over the association and its funds. Membership is compulsory and the members have no representation. There are no officers, but the business of the organization is handled in one

case through the employment office of the company and in the other through the factory manager and timekeeper.

An eastern Pennsylvania fund is under the supervision of the relief department of the company. The president of the company appoints a superintendent who, with the aid of such clerks and other assistants as he may need, carries on the business of the fund. An advisory committee of twenty-two members and a chairman are also provided for. The chairman of this committee is the president of the company. The other members are chosen annually, one-half being appointed by the president of the company and one-half elected by members of the association. Representation on the advisory committee is on the basis of membership in different departments and plants of the company. The superintendent is ex-officio secretary of the advisory committee but is not a member thereof.

In associations where management is shared by the company, a common practice is to have an advisory committee, the chairman of which is a representative of the company. The association is also directly represented on this committee.

It will be seen that the number of officers which an association may have, and the methods of electing or selecting these officers, differ to a great degree. The number of officers is not nearly so important as the type. An association need not have a full complement of officers, but in any case those who are elected or appointed to direct the affairs of the association should be men of integrity, sincerity and ability.

### *Duties*

No less varied than the number of officers and the method of selecting them are the duties assigned to officers in the funds studied. These differ largely according to the number selected by the society. In general, however, their duties run along the same lines as those of similar officials in most organizations. The following special features may be noted:

It is not unusual for an association to divide its secretarial work between a recording secretary and a financial secretary. One association following this plan assigns to the recording secretary the keeping of the minutes of the meetings; the conducting of all correspondence; the reading of all bills and communications; receiving applications for membership and

the drawing and signing of all orders passed by the society. The financial secretary of the same society is directed to "receive all fees, dues, and other moneys, and pay the same to the treasurer, taking his receipt therefor; keep a correct account between the association and its members, and make a report at each regular meeting" and to approve all sick and death claims. The treasurer of this society is directed to "hold all moneys and pay all orders properly drawn and sealed."

The division of the secretarial and financial departments of the association is in contrast to the practice in associations in which there is merely a secretary and treasurer, with the possible addition of a financial secretary, or where the duties of secretary and treasurer are vested in one officer, known as the secretary-treasurer.

It is rather unusual for a fund to designate one man as its auditor. More often such activities as might be covered by an auditor are assigned to several individuals. A number of societies list among their officers a certain number of auditors, commonly three. In some associations the auditors taken as a whole are known as the auditing committee or auditing board.

Very few societies have an actuary. One society studied, however, directs the actuary "to keep informed on all actuarial matters of interest to the association and exchange actuarial experience with similar officers of other associations for the general good of the association. He shall give advice to the directors of the association, covering such information as he may have or be able to secure, referring to any insurance or financial matters submitted to him." This sums up in a general way the usual duties of an actuary.

The duty of collectors is to collect dues and assessments from members of the association. In one association also they receive applications for membership and perform duties similar to those of a sick committee in other associations.

One society has two stewards whose duties are to visit all sick and disabled members within forty-eight hours after notice, and continue to visit once a week thereafter during such sickness or disability. Their duties also include ascertaining from the financial secretary the standing of all members who apply for sick benefits, and the payment of benefits when due, for which a receipt is secured. They also are required to endorse and draw all orders upon the treasurer for sick and

funeral benefits; and sick members in their charge must be kept in good standing while drawing benefits. They ascertain that the physician attends promptly and faithfully to his duties and report to the president and association any disobedience to the physician's prescribed orders by any members drawing sick benefits.

The duties allotted to stewards in this case are rather remarkable when it is understood that the association has a full quota of officers including in addition to the stewards, a president, vice-president, treasurer, recording secretary, financial secretary, marshal, sergeant-at-arms and three trustees.

### *Compensation*

Officers in some associations do not receive any compensation or salary in any form. In a few societies all officers are paid. In others one or more of the officers receive a salary. In such cases the secretary or treasurer or both are usually included among the salaried officers. In very few cases is the president of an association compensated for his services. In only two associations included in this study is the vice-president compensated.

Some associations pay a fixed salary to certain officers from year to year. In other associations, compensation is not fixed, but the amount is decided upon from year to year. Instead of paying a regular salary, some associations remit dues to certain officers as payment for their services. In a few cases the secretary or treasurer or similar officer is paid a salary and his dues are remitted also.

Some associations pay the secretary or treasurer a percentage of the dues collected. Following this practice one association gives its secretary  $2\frac{1}{2}\%$  of the dues he turns over to the treasurer; and its treasurer 1% of all amounts he receives from the secretary less the cost of his (the treasurer's) bond.

A southern Virginia association—one of the few which pays all its officers—compensates them as follows: president, \$150 a year; vice-president, \$75 a year; secretary-treasurer, \$250 a year; members of relief committee, \$50 each, yearly; directors other than president, vice-president and secretary-treasurer, 50 cents for each meeting attended. This society makes semi-annual payments for the services of its officers. A Pennsylvania association compensates its secretary-treasurer and each

member of the relief committee. A Kentucky fund pays its president and vice-president \$3, its financial secretary \$12, its treasurer \$9 and the recording secretary \$6 a year. An Ohio association pays its president \$10 a year and its secretary-treasurer \$100.

A New England fund allows its secretary \$20 a year. A Philadelphia association pays its recording secretary \$48 a year, its financial secretary \$52 a year in quarterly payments, and compensates its treasurer by remission of dues. A Milwaukee fund gives its secretary \$25 and its treasurer \$10 a year. The secretary of a Massachusetts association receives \$100 a year and the treasurer \$50. The auditor or auditors of some associations receive a yearly compensation. A common amount is \$5 to \$10. One association deviates from the general practice somewhat in paying its three auditors \$1.25 each for a term of three months. A Boston association pays its secretary and treasurer a salary of \$15 a year and also remits their dues.

The advisability of paying to officers salaries which may make the offices an object of interest on pecuniary grounds is a question deserving of careful consideration. None of the associations studied in this investigation reveal any unfavorable effects of such a practice, because in the majority of cases the compensation of officers is nominal, but it is not difficult to imagine the possible effects of such a policy on the attitude of both members and officers toward the society.

It would seem a natural question to members that if a fund can pay whatever benefits it does under a high salary overhead, it ought to be able to do even better on a smaller salary margin. If no other arrangement could be made it might be better for the company to make part of its contribution in the form of a part-time service of one of its office force who would be agreeable to the fund members. Such an employee could either receive a small additional salary from the company for his services to be given on company time, or the association could pay him. Any expense thus incurred by the company could be deducted from its regular contribution to the society if desired.

Where high salaries are paid for officers' services there is a danger that the wrong type of employee will seek office merely because of the emolument attached thereto. Incidentally the association will lose some of the atmosphere of service and co-

operation characterizing associations paying only nominal compensation to its officers. There is apparently no reason why a secretary or treasurer who handles the bulk of the clerical and other work of the society should not be reasonably compensated, but there is always the possibility that this compensation, because of its amount, may become too great a drain on the association's funds.

#### *Bonding of Officers*

The question of the bonding of officers is one to which many associations have given special consideration. In most instances, bonding of officers is confined to those who handle the funds of the society—usually the secretary, financial secretary or the treasurer. In one fund studied, all of the officers are bonded, including the president, vice-president, secretary and treasurer.

The amount of bond required differs considerably among associations. One association, for instance, which has a recording secretary, a financial secretary and a treasurer, requires a bond in the sum of \$800, of its treasurer only. Another, having the same officers, bonds its treasurer for \$1,000. An Atlanta society bonds its secretary-treasurer for \$5,000. Still another society bonds its secretary and treasurer each for \$500. A New England association bonds its secretary for \$500 and its treasurer for \$1,000. A Michigan association directs that the treasurer "shall furnish a bond," but stipulates no amount, this to be left to the discretion of the board of trustees. Similarly a New York association bonds its treasurer, "for an amount sufficient to the protection of the association, which amount shall be fixed by the board of trustees." The secretary of an Illinois association is bonded for \$1,000, and the treasurer for \$5,000. A New York association bonds its president for \$5,000, its vice-president for a similar amount, its secretary for \$1,000, and its treasurer for \$5,000.

The examples cited are sufficient to show the diversity of practice with regard to bonding. In almost all cases the company or the association pays the cost of the bond.

#### *Term of Office*

There is more or less similarity in the matter of the period for which officers are elected in different associations. In a surprisingly large number of constitutions, the period of service

of officers is not mentioned at all, from which it may probably be inferred that the term of office is one year. The president, vice-president, secretary, treasurer and similar officers usually hold office for periods of six months or a year. Trustees are frequently elected to hold office for from one to three years.

Where an association is managed jointly by employers and employees, one or more officers are frequently appointed by the establishment and hold office indefinitely. This is especially true of such officers as the secretary or the treasurer. In other cases also, the company may merely suggest one of its office employees for secretary or treasurer, and it is tacitly understood that this officer shall be re-elected each year as long as his services are satisfactory.

#### COMMITTEES

Beside the various officers mentioned, the majority of associations have one or more committees who supervise, direct or assist in the conduct of certain association practices or policies.

Some of the more common committees are: advisory, relief, membership, visiting, entertainment, sick, finance, investigating, investment, trial, auditing and executive.

The advisory committee, as it exists in a Pennsylvania association which is under the supervision of the company relief department, has "general supervision of the operations of the department" and sees that they are conducted in accordance with the regulations. The duties of the relief committee as outlined by one association are, in general, to investigate and report on all cases of disability. Duties of a membership committee range from endeavoring to get new members to welcoming, introducing and looking after the general welfare of members. The entertainment committee, as its name implies, has charge of all entertainments or social affairs given under the auspices of the society. The duties of the visiting committee, as it exists in several associations, are similar to those of the relief committee above noted, as are the duties of the sick committee also. The duties of the finance committee of a New York association parallel those of the auditing committee of other associations.<sup>1</sup>

An Indiana association having an investigating committee prescribes that this committee "shall investigate all claims for

<sup>1</sup>See pp. 59, 69.

weekly sick and accident benefits and death benefits, visit sick and disabled members, approve all applications for membership and perform any other duties that may be referred to them by the official board." A Massachusetts association has an investigating committee operating on the same lines. A trial committee of an eastern association is created to investigate claims of misdemeanors on the part of a member, hearing all sides of the case and submitting a written report of its findings. A New England association requires of its investment committee "to determine how the funds of the association shall be invested and to invest same." It also stipulates that "it shall be optional with said committee to invest said funds with Company at a rate of interest satisfactory to said investment committee, but it shall not be obligatory upon it to do so." The work and duties of executive and auditing committees have already been explained in connection with the description of the duties of association officers.

## MEETINGS

No set practice is followed by associations with regard to meetings. Practically all of the associations studied provide for the holding of an annual meeting for the election of officers and the consideration of association business. In those associations where officers hold office less than a year, it is necessary to hold meetings more frequently. In one association already mentioned, which is managed entirely by the company, no meetings are held. Management is in the hands of the company, there are no officers, and all business is transacted under the auspices of the employment office.

Besides the annual meeting, held by almost all associations, special meetings may be called by the executive or the governing body, on request of a certain number of members, or when necessity arises, to consider special business relating to the association. Such meetings may be called at the request of ten members or more. In one society, fifteen members must sign a request for a special meeting. Its constitution specifies that "no business shall be proposed or transacted at said meetings other than that specified in the request, and notice of same shall be posted on the time clock bulletin boards at least one week before the date of said meeting." In the same

association, eighteen members in good standing constitute a quorum for the transaction of business.

In associations where a governing body exists, this body meets at more or less frequent intervals. In the association just mentioned, for instance, the executive board meets on the third Thursday of each month, and otherwise at the call of the president. Five members constitute a quorum for the transaction of business. To the jurisdiction and direction of the governing body, where such exists, much of the routine business of the association may be left. This necessitates very few meetings of the association as a whole.

The question of the time and frequency of meetings is one for each fund to settle for itself. It is comparatively easy for an association to decide the best policy to pursue in this respect.

In most of the associations studied a definite order of business or program is laid down in the constitution or by-laws for the conduct of meetings, especially the annual, semi-annual or similar regular meetings.

It is customary for a society to be governed in its meetings by standard rules of order, such as Roberts' Rules of Order or Cushing's Rules of Order. In a few cases the rules of order followed are compiled by the society and are printed in the constitution or by-laws.

A few organizations, especially those which meet fairly often, make their meetings more or less social in nature. Any social features are, of course, subordinated to the business session of the meeting.

In order that members may have the proper interest and enthusiasm with regard to meetings, experience has shown that they should be made as interesting as possible. Not only should meetings be announced beforehand either by postal card, bulletin or some other means or by the combined use of a number of agencies, but members should be made to feel that it is their duty and business to attend meetings. When they get to the meeting they should find a program so planned as to maintain interest from beginning to end.

#### HANDLING OF FUNDS

In considering the various features relating to the handling of association funds, the following questions arise: (1) Is the

society or the establishment the custodian of the funds; and in either case what officer or official is designated to handle the finances? (2) Are the funds deposited with the company or in a bank, and do funds draw interest in either case? (3) How and by what officer or agency are investments made? (4) What regulations govern the drawing, signing and countersigning of orders and vouchers? and (5) What arrangement is made for auditing the association's accounts?

There is considerable diversity of practice among associations in the matter of handling funds. In some instances the funds are collected and disbursed by the company, usually through one man—the paymaster, cashier or treasurer of the company, subject to the approval of one or more officers of the association. In employee-managed associations, the control and care of the funds is in the hands of one or more officers of the fund. The investment of funds is frequently directed by the establishment, even in the case of employee-managed associations. In some associations, however, the investment of funds is in the hands of a special investment committee or the governing board. In some cases funds are deposited with the establishment, which pays interest on them. In others, the funds are deposited in a bank.

Certain well-defined rules obtain in the different associations with regard to the drawing and signing of orders covering disbursements and the drawing, signing and countersigning of vouchers.

As previously pointed out also almost every society has either an auditor or auditing committee whose duty it is to make periodical examinations of the finances of the society.

### *Custody of Funds*

Practices in respect to the custody of funds differ. In the larger number of cases the funds are handled by the association itself through some officer such as the secretary or treasurer. Where the funds are handled by the establishment, the paymaster, cashier or treasurer of the concern is usually designated for this work.

In an Illinois society which is controlled by the company the latter takes charge of and is responsible for all moneys belonging to the sick benefit fund. A western Pennsylvania fund which is conducted by the relief department of the

establishment provides that "the company shall have the custody of all moneys belonging to the relief fund and be responsible for their safe keeping." No definite official is designated to handle the funds of this society, but inasmuch as dues are deducted from the payroll, the paymaster or whoever makes up the payroll is no doubt the responsible official. A Wisconsin company has arranged with an insurance company to cover all employees with a sick and accident policy. This provides benefits similar to those of a regular benefit association and the company assumes entire charge and management of the plan, collecting and handing to the insurance company the funds of the association.

In a great many associations the treasurer is the one selected to care for the funds of the association. Frequently he attends to both the collection and the disbursement of the funds. In some cases, however, the collection of the funds is in the hands of the secretary or financial secretary, and the treasurer receives such funds for deposit and makes the necessary disbursements.

### *Deposit of Funds*

As already suggested, association funds are either deposited in a bank or with the establishment. It has not been possible to discover just how many of the funds deposited in banks draw interest. In a few of the associations studied, however, where the funds are deposited with the establishment, a definite rate of interest is mentioned.

An Indiana association directs its treasurer to deposit all moneys in a given bank. A Rhode Island fund directs the treasurer to deposit all moneys in "some bank designated by the Board of Directors." This plan is followed by two New York associations and by a New England fund. A large number of associations have this same regulation. The constitution of a Massachusetts society stipulates that the treasurer is to "deposit all funds as the investment committee may direct." Another New England association follows the same rule. The treasurer of a central New York association is directed to deposit funds with either the establishment or with a designated bank. Interest at the rate of four per cent per annum is allowed to one fund which is under the supervision and management of the company's relief department, and the moneys of which are in the custody of the company.

### *Investment of Funds*

The question of the proper investment of funds receives special attention in many associations. While many societies leave this function to a certain officer or officers, others have special investment committees. Frequently it is stipulated that investments are to be carried out under the direction and sanction of the governing body. In other cases, the establishment assumes the responsibility for investing the society's funds.

A New Jersey association provides that its treasurer is "to hold or invest the funds of the association under the direction of the board of trustees." One Ohio association provides that "all surplus funds over \$5,000 shall be invested in the name of the association by the president, secretary and treasurer, in some safe and profitable investment, as the board of directors may determine." The treasurer of a Connecticut society is "empowered to invest the funds of the association subject to approval by the directors." This is a very common arrangement. In a Kentucky association the provision governing investment of funds is as follows: "The trustees shall . . . have supervision over investment . . . and shall take care that good securities or mortgages are bought therewith, and shall turn over the same to the treasurer of the society for safe keeping."

A special investment committee of an eastern association is "to determine how the funds of the association shall be invested and invest same." The constitution of this society further stipulates that such funds may be invested with the establishment at a rate of interest satisfactory to the investment committee, but that such an arrangement is optional. The constitution of another association in the same state contains a similar provision.

A New Jersey society assigns to the trustees, under the sanction and direction of the board of officers and directors, the investment of surplus funds.

### *Withdrawal of Funds*

While the general principles governing the authorization, drawing, signing and countersigning of all orders and vouchers covering the disbursement of association funds are somewhat similar, their application in individual cases differs. In the

majority of instances, the treasurer is directed to pay all orders drawn by one of the officers or the governing board and attested or countersigned by a certain officer or officers. Vouchers covering disbursements for bills and claims are usually signed by the treasurer and countersigned by one other officer, frequently the recording secretary or the financial secretary.

"All warrants for money shall be authorized by a majority vote of the board of officers and directors at a regular weekly meeting. All warrants for money of this association shall be signed by the treasurer and president or secretary." So reads the constitution of one association. In an association managed jointly by the company and the employees it is provided that the treasurer of the company "shall act as treasurer of the association" and that he is to make disbursements only upon the written authority of the board of trustees. The treasurer of another fund pays all claims presented by the executive board, attested by the secretary and countersigned by the financial secretary. The financial secretary countersigns all checks or vouchers issued by the treasurer. Another association requires that all orders for disbursements must be drawn by the president and attested by the secretary.

All checks are signed by the secretary and countersigned by the president in a New England society. One association requires orders for disbursements to be authorized in writing by the executive board, signed by the president, and attested by the secretary. The treasurer of a Kansas society is directed to "pay all accounts by check only, signed by himself and countersigned by the assistant treasurer, such checks to be paid only on itemized vouchers attached to orders drawn and signed by the president and approved by the chairman of the finance committee." Another association requires a written order signed by three directors for disbursement of funds.

### *Auditing of Accounts*

Practically every association makes some provision for the auditing of the funds at stated periods. As has been set forth in another section of this report<sup>1</sup> this work is in the hands either of a regular auditor or an auditing committee. In some cases the auditor examines and approves all claims and approves the vouchers issued to satisfy claims. In most cases, however,

<sup>1</sup>See p. 59.

the auditor or the auditing committee exists merely to examine the books and accounts of the association at regular periods.

An auditing committee of three is appointed annually by the president of one association, the duty of this committee being to examine the accounts of the financial secretary and treasurer quarterly. A Michigan association provides for the auditing of its books quarterly by the auditing department of the establishment. In addition to examining quarterly the books, accounts, vouchers and securities of the association, the auditing committee of a New England society is also directed to countersign all financial statements of the treasurer.

An auditing committee of three in a Massachusetts association audits the books of the financial secretary, the treasurer and all committees handling moneys of the association every six months. The same plan is followed by a New Jersey society. A South Jersey association provides for the auditing "of the affairs of the association" at the close of each fiscal year by a certified public accountant. One association requires the finance committee "to see that the books of the secretary, treasurer and trustees are kept correctly." The books are examined quarterly and a report of their condition made to the next meeting of the society.

# V

## CONTRIBUTIONS TO FUNDS

### A. Contributions by Members

#### DUES AND ASSESSMENTS

Members' contributions to the funds of a mutual benefit association take the form chiefly of dues or assessments, or a combination of the two. An initiation fee may also be collected on joining the association. Dues, in contrast to assessments, which are irregular as to amount and time of payment, are definite amounts payable at stated intervals. Assessments are of two kinds, ordinary and extraordinary. The former are levied to meet the normal expenses of a fund, the latter to provide for contingencies. Some associations obtain funds from their members through a combination of dues and assessments, in which case the assessments are made either upon the death of a member or when the amount in the treasury falls below a certain figure.

Of the 382 associations studied in this investigation, 160, or 42%, raise revenues through dues alone, 213, or 56%, through a combination of dues and assessments, and 9, or 2%, through assessments alone. Of those using both dues and assessments, 64% resort to assessments only in case the treasury requires it, 20% make assessments only upon the death of a member and 16% utilize this method of raising funds upon either the death of a member or the depletion of the reserve in the treasury.

#### *Combination of Dues and Assessments*

Opinion is divided as to whether mutual benefit associations should be supported by dues alone or whether there should be a provision for the levying of assessments in cases of emergency. A number of associations prefer to avoid assessments altogether.

Thus the constitution of one association states that no assessments shall be levied for the payment of benefits for sickness, disability or death, but such benefits shall be paid out of the funds of the association received from dues or any other source and "shall only be payable to the extent to which

such funds are adequate for the payment thereof." Such an association, unless its dues are on such a scale as to provide for the creation of a surplus large enough to meet the payment of benefits during extraordinary times, such as a period of epidemic, might not be able to furnish protection to the members at the time it is most needed. Conversely, of course, a rate of dues that would be ample to provide for such contingencies might be unnecessarily high during normal times.

In another association no provision is made for levying assessments when the treasury is depleted and no benefits are paid under such circumstances till the payment of the next month's dues. Such a provision, as in the case above, is liable to result in the loss of protection for members just at the time it is most needed. By the levying of assessments when the surplus in the treasury becomes low, this situation could be avoided. The cost to the individual member would be small and the association would be able to fulfill its purpose of providing protection for its members at all times.

The levying of assessments in case of emergencies, combined with dues sufficiently large to pay all normal benefits and build up a reserve, was recommended by one of the Board's correspondents in the following terms:

"Dues should be established on the basis of meeting current obligations and acquiring a reserve fund, and when such fund has been acquired, suspension of dues to all members who have paid in the per capita amount required. Provisions for special assessments should be made to meet emergencies."

A combination of dues and assessments was favored by the association in a Pennsylvania electric company for the following reason:

"If a plan covers dues only, they must be high enough to take care of extreme conditions, which do not always materialize."

There is provision in this association for an assessment on the death of a member. This, however, is applied only to a minimized extent.

The experience of the association in a western electric company leads it to favor a combination of dues and assessments:

"In times of emergency such as the 'flu' epidemic it was necessary to make a special assessment in order to keep the organization running without depleting too far the emergency

fund. It is seldom necessary to make assessments if the dues are properly proportioned."

The constitution of the association in a middle western plant states:

"When the amount of the treasury shall fall below \$500 there may be an assessment made upon each member for an amount equal to that of his regular monthly dues."

One of the company officials in this plant, however, gave as his opinion that "the dues should be sufficiently large to take care of the needs of the association without special assessments."

The following are examples of the manner in which different associations provide for the levying of assessments:

"Should the funds of the association at any time be inadequate to meet the demands made upon them, the board of directors shall be empowered to call a special meeting of the association, stating the object of the meeting in the call to devise means to meet the deficiency either by ordering an assessment or otherwise."

\* \* \* \*

"When the amount in the treasury of the association is less than \$500, every member of this association may be subjected, at the discretion of the board of directors, to assessments not exceeding 50 cents per month in addition to the regular dues."

\* \* \* \*

"Whenever the funds of the association will not allow of the payment of the regular and stated benefits, there shall be a 'pro rata' assessment levied upon the membership, sufficient to meet such payments."

\* \* \* \*

"If the funds of the association become exhausted, the board of directors may, by a two-thirds vote, levy an assessment on the members not to exceed their regular dues per month, in addition to the regular dues, until the treasury is replenished."

\* \* \* \*

"The president, with the consent of the board of officers, shall have power at such times as in their judgment is just and necessary to levy an assessment on the members of the association to meet the contingencies of excessive sickness or accident, provided: first, that such an assessment shall not exceed 50 cents for first class and 25 cents for second class members, nor shall such assessment be levied more than twice in one year. Second, further assessment may be levied by a two-thirds vote of the members present at any regular or special meeting."

One association provides that a member shall not be liable for a special assessment until he has become a beneficiary.

### *Dues Only*

While a large number of employers favor the creation of funds through a combination of dues and assessments, the latter to be levied only in case of emergency, the general opinion seems to be against obtaining funds through assessments alone. This is because under such a plan the members of the association are unable to determine what the annual cost will be, and this element of uncertainty is bound to react unfavorably on the association. The members never know when they are going to be called on for an assessment or how much it will be. They are likely to get the impression that the association is not on a sound basis and to lose confidence in it. Even though the cost to them be the same whether funds are raised through dues or assessments, the prejudicial psychological effect resulting from levying assessments is generally regarded as sufficient reason for choosing the method of raising revenue by dues.

A company official in a middle western clothing concern expressed in the following way his preference for the creation of funds through dues, rather than through assessments:

“We prefer to derive funds through fixed dues rather than by assessment, for we think that any member should have a definite idea of the cost of participating in any organization he joins, which is not possible under an assessment provision.

Another employer said that, from his experience, assessments “are dreaded and more than apt to cause dissatisfaction.” An eastern company expressed itself on the question thus:

“Most emphatically we do not believe in levying assessments at unknown periods. We have fixed definite dues and the understanding is that if these dues are more than sufficient the rate will be reduced. If they are found to be insufficient we shall increase the dues.”

### *Declaration of Dividend or Suspension of Dues*

The alternative to making provision for levying assessments when the state of the treasury necessitates such action is to place the dues on such a scale as to insure payment of benefits and, in addition, build up a substantial surplus. When this is done an association will at times find it unnecessary to collect dues for a certain period. The problem may then arise of determining the best way of lowering the cost to the members. This is usually done either by declaring a cash dividend or by suspending or reducing dues for a time.

The effect of the declaration of a dividend or the suspension of dues upon the members of an association is in marked contrast to that caused by the collection of assessments. An illustration of the results accomplished by the declaration of a cash dividend is provided by the experience of the association in a middle western manufacturing company. In less than a year after the reorganization of the association, when the assessment system was abandoned and revenues were raised through dues, two weeks' dues in cash were returned to each member with a statement that the association was prospering and did not need the money. At the same time the members were shown that an increase in the membership would be helping the association. It is reported that:

"During the following six months the initiation fees from new members admitted more than made up for the dividend declared. It is not possible to measure all the good accomplished by this dividend, but every member had increased confidence in the soundness of the association and was boosting it along. Enthusiasm felt for anything about a plant must of necessity be associated in the minds of the employees with the plant itself, so the indirect benefit to the employer was worth consideration, and the enlarged membership benefited both association and employer."<sup>1</sup>

The declaration of a dividend of this kind as the result of a large balance in the treasury of an association is not to be confused with the declaration of an annual dividend by dividing whatever surplus there is among the members at the end of each year. The following clause, from the constitution of an association which divides among the members each year the money remaining in the treasury, shows the distinction between the two methods:

"At the annual meeting, the balance of money, if any, remaining in the treasury, shall be divided among the members pro rata, provided, however, that not less than 10% or more than 20% of all money in the treasury shall be retained as a contingent fund to be used in all cases of emergency, and pending the collection of the next month's dues."

In other associations a pro rata distribution of the funds is made among the members only when the amount in the treasury exceeds a certain sum, as in the association in a Michigan machinery plant, under the following provision:

"If on the first day of December of any year, the funds of the society exceed the sum of \$1,000, the excess over \$1,000

<sup>1</sup>W. L. Chandler, "The Employees' Mutual Benefit Association," *Industrial Management*, New York, June, 1918, p. 467.

shall be distributed pro rata to all the members who have been in good standing for a full year, except that all who have been in a good standing for six months or more shall receive their share of the surplus on the basis of six-twelfths as much as a one-year member to a six months' member, seven-twelfths to a seven months' member, eight-twelfths to an eight months' member, and so on."

The association in an eastern forging mill, instead of declaring a dividend when the amount in the treasury exceeds a certain amount, reduces the amount of dues levied.

"All members shall contribute dues as stated, as long as the funds of the association are less than four hundred (\$400) dollars. Should the funds reach that amount the contribution by each member shall be reduced one-half ( $\frac{1}{2}$ ) until the funds of the association fall below two hundred and fifty (\$250) dollars, when full amount shall be resumed."

In some associations, suspension or reduction of dues applies only to members of a specified length of membership.

"When the benefit fund of the association shall amount to twenty-five hundred dollars (\$2,500), the payment of dues shall cease as to all members who have been in continuous good standing for one year or longer, until the benefit fund shall have been decreased to two thousand dollars (\$2,000) when payment of dues shall be resumed.

"Exemption from dues as above provided shall extend only to members proving themselves entitled thereto, by filing with the secretary a claim for exemption, showing date they were last employed by the company, which claims shall be verified by reference to the company payroll."

Another association provides that no member shall be exempt from dues "unless he or she has already paid ten weeks' dues in addition to the initiation fee."

The association in a Connecticut plant manufacturing automobile parts provides for the reduction of dues when the amount in the treasury reaches a certain figure, but this reduction does not apply to a member until he or she has paid the regular dues for a year.

"When the amount in the treasury shall reach two thousand dollars (\$2,000), the dues shall be twenty-five (25) cents per month until said amount is reduced to one thousand five hundred dollars (\$1,500) when regular dues of fifty (50) cents per month will be resumed.

"Regular dues of fifty (50) cents per month, shall be collected from new members for the first year of their membership, irrespective of any reduction of dues."

The experience of the association in an eastern shipbuilding company in suspending dues calls attention to the unfavorable

effect that such procedure may have when the period during which dues are not collected is a long one. In this case the balance in the treasury was sufficiently large to warrant the suspension of dues and they were not collected for six weeks. When the question of resumption of payment of the weekly dues was taken up, a large number of the members stated that they did not want to keep up their membership. During the period when dues had not been collected they had felt no need of the association and they decided that they could get along without it in the future.

Such an occurrence can be avoided by suspending dues for a number of short intervals rather than for one longer period. The following clause in the constitution of one association is designed to meet this situation:

“A recess or non-collection shall not occur at any two consecutive months unless especially set aside by the board of directors.”

In general, it appears that dues should not be suspended or a dividend declared by an association without careful consideration of the advisability of such procedure and of its effect on the association's financial status.

#### *Methods of Collecting Dues or Assessments*

There are two ways of collecting dues or assessments: deduction by the company from the payroll, and collection by the association itself. Where dues are collected from the payroll, provision is also made whereby, in case a member has no pay coming to him on the regular pay day when his dues would be deducted from his envelope, it is necessary for him to pay them in cash to the secretary or treasurer of the association. If members object to having the money taken from their pay, in associations where dues are normally deducted from the payroll, they are sometimes allowed to pay their dues themselves.

In some associations, in case of failure to deduct the dues from a member's pay through error or for any other reason, the member must either pay the dues himself or notify the secretary or treasurer of the association of the error. The constitution of one association states, with reference to this, that if the dues of a member are not collected by the paymaster “the member shall pay his dues directly to the secretary of the society.”

Another states:

"Each member shall know his own class and dues and if proper dues are not deducted from his pay, it is his duty to report the same to the employment manager in writing, so that he may avoid short benefits in case of sickness."

One association provides that failure of a member to notify the secretary of the association when the proper dues have not been deducted from his pay will bar him from benefits for sickness or disability if he becomes disabled before dues are paid.

In another association in which dues may be deducted from the payroll if the member so elects, the company does not assume any responsibility for their collection.

Other associations do not place the responsibility upon the member in case the proper dues have not been deducted, but allow him to remain in good standing, the omitted dues to be deducted from his next pay.

In another association, failure to deduct dues from a member's pay does not debar him from benefits to which he would otherwise be entitled "provided such omission does not extend over two months or has been called by the member in writing to the attention of the proper authority."

It is a question whether it is advisable to bar a member from benefits because of an error made by the payroll department, although he may be rightly required to notify the association of the error that has been made. Where the payroll method of securing dues is in operation, one of the objects in view is to insure a steady source of income and to lessen the work of operating the association. The association profits thereby. A consequence of failure on its part to deduct the correct dues, to carry out its part of the contract into which it enters with the member when he joins, should not fall on the member's shoulders alone. The arrangement whereby dues which have not been deducted are taken from the next pay without any loss of benefits to the member in the meantime, seems to be the most equitable method of dealing with the situation.

#### *Advantages of Payroll Deduction*

One of the vice-presidents of a Pennsylvania steel plant in which the association dues are deducted from the payroll described the advantages of the method of payroll deduction of dues in the following way:

"It is convenient for the employees as well as for the association. It is an advantage to the members, for the reason that as long as they are employed it is almost impossible to become delinquent, and it relieves them of the burden of keeping in mind the fact that their dues are to be paid. It is convenient for the association as all money is collected at one time."

The managing secretary of a benefit association which embraces all the workers in the industrial concerns in a middle western city stated that better results were obtained by deducting dues from the payroll than by having the association collect them.

"All our dues for factory employees are deducted from the payroll department, and with this method of payment the association guarantees to make good on any error that the payroll may make for failure to deduct dues providing the employee had money coming to him, at the time when dues should have been deducted. With a large membership, collection of dues by the association entails too much clerical help and we find that among the members which we have who do pay at the office, known as office members, there are very few of them who might be considered prompt, most of them allowing a week or ten days to elapse. This entails a great deal of work to send them notices of their lapse in membership."

A company official of an eastern zinc concern was emphatic in his preference for the payroll method of deducting dues and stated that "we do not wish to have to operate a collection agency in addition to a mutual relief association."

A Massachusetts finishing company objected to having dues collected by the association because of the time it would necessarily entail.

"The dues should be deducted from the payroll and handed over to the treasurer. The loss of time sustained by having a treasurer dun employees who are careless about their obligations, is an item not to be overlooked because necessarily it has to be done on shop time."

Deduction of dues from the payroll is preferred by a middle western machine company, provided the association gives its unanimous consent to this method. Unanimous consent is deemed essential because "no man should have money taken from his pay envelope without his consent."

Deduction of dues from the payroll was preferred by a company official of an eastern electric company because it is "the most systematic method." This company's experience was that "if properly handled it adds but little work to the

payroll and therefore minimizes the work of the association operation."

The fact that deducting dues from the payroll relieves the member of all worry regarding his standing was one of the reasons why the association in an Indiana electrical company preferred that method.

"Deduction of dues from the payroll is preferred because . . . it requires less time, operates almost automatically and is in the hands of only a few people who have proven their right to be trusted. An employee does not have to worry about paying his dues and always having the change available for it. In the case of the absence of employees, it is much more easily taken care of."

Experience with both methods of collecting dues led one association to adopt that of deducting them from the payroll. For a number of years dues were collected from the individual members by the treasurers of the various sections, but due to the difficulties and inconveniences experienced in performing this duty and complications arising from claims for sick benefits when payment of dues was behind for several weeks, it was some years ago decided to collect all dues through the payroll department. "This has worked out remarkably well," wrote the Board's correspondent, who stated further that "in our association at least, it is a point of vital importance."

#### *Disadvantages of Payroll Deduction*

Other employers, however, in whose plants dues are collected by the association itself, expressed themselves as well-satisfied with that method. The following came from a southern watch company:

"We do not approve of the method of collecting dues through the medium of the payroll, on account of the great amount of effort required by our pay department to make the deductions. We have overcome this obstacle by appointing a collector in each department, and we experience no trouble in keeping our dues up to date."

An eastern rubber company stated that it preferred collecting dues through department collectors because in this way the interest of the members was kept up. It was admitted, however, that the "payroll method might make for a more certain income."

The following statement by a company official of a New Jersey chemical company indicates his preference for the

payroll method, although the collection method is in force in that plant:

"Deducting dues from the payroll would result in regular collections, and therefore be the least trouble. Our members pay personally, and this system calls for considerable following up."

In contrast to this is the statement of the president of an Illinois motor company in which the association dues are deducted from the payroll. "We would rather have the dues collected by the association, on account of the clerical work necessary when deductions are made from the payroll."

Deducting dues from the payroll is characterized by an Ohio company as "not conducive to the creation of individual responsibility", and dues are accordingly collected by the association.

In general, however, the payroll deduction method for the collection of dues is considered superior to that of using departmental collectors or having the member pay his dues in person, in that it entails less time and work on the part of the association and that it ensures regularity of payment. Where a company is willing to assume the work involved in deducting dues from the payroll it seems advisable for the association to adopt this plan. Provision may be made for payment in person by members who object to having the company deduct dues from their pay envelopes.

#### *Intervals at Which Dues Are Paid*

Dues are usually paid either weekly, fortnightly or monthly. Provision may also be made for a member to pay as far in advance as he likes. A few associations collect dues quarterly; in one, dues are payable annually in advance. The great majority of associations prefer collecting dues either monthly, fortnightly, or weekly because the amount paid by members is smaller than where payments are made quarterly or annually. One association favored the weekly collection of dues from the payroll "as representing a small amount per week and consequently less burdensome to the employee."

Another association gave as its opinion that dues can best be collected at the time of paying the workmen.

"Small dues are paid more willingly than large ones. This would mean that monthly dues or dues collected each pay day would be paid more willingly than quarterly dues, which would necessarily be larger."

The association in a large rubber plant in Ohio collects its dues quarterly and states that "the weekly or monthly plan would require too much clerical help."

Employees receiving their wages in weekly payments and accustomed to think of their income as so much a week would probably regard the collection of dues on a weekly basis more favorably than on a quarterly or annual basis. Where they are paid twice a month and where the clerical work involved is a factor that merits consideration, dues might be collected fortnightly or monthly without any prejudicial effect. Provision might be made, however, whereby any member could pay his dues in advance quarterly or annually.

#### *Classification of Dues and Assessments*

Two hundred and twenty-five funds have but one class of membership. In the remainder, there is a classification of membership, and each class pays a different rate of contribution either in dues or assessments or both.

Those funds in which dues are a uniform percentage of wages are not considered as having different classes of membership. Similarly, those funds in which uniform contributions are collected and varying benefits are paid are omitted from consideration.

#### *Classification on Basis of Age*

The most common bases of classification of members in mutual benefit associations are by age and by wages. In some associations, dues vary according to length of membership, occupation, amount of benefit desired and sex. The following, for example, is the schedule of dues payable by the members of the association in a middle western plant:

AGE	DUES PAYABLE
24 yrs. or less,	1.25% of straight time semi-monthly pay
25 to 29 yrs., incl.,	1.30% of straight time semi-monthly pay
30 to 34 yrs., incl.,	1.35% of straight time semi-monthly pay
35 to 39 yrs., incl.,	1.45% of straight time semi-monthly pay
40 to 44 yrs., incl.,	1.70% of straight time semi-monthly pay
45 to 49 yrs., incl.,	2.00% of straight time semi-monthly pay
50 to 54 yrs., incl.,	2.50% of straight time semi-monthly pay
55 to 59 yrs., incl.,	3.40% of straight time semi-monthly pay
60 to 64 yrs., incl.,	4.75% of straight time semi-monthly pay
65 to 69 yrs., incl.,	7.25% of straight time semi-monthly pay

### *Classification on Basis of Wages*

The dues of the association in a western packing plant are based on the members' wages. All employees receiving \$13.50 and under may enter one of five classes of membership in which the weekly dues are 15, 20, 30, 40 cents, respectively. In the case of two classes in which the dues are 30 cents a week, there is a difference in the sick and death benefits, since an employee has the choice of \$6 a week accident and sick benefit with \$400 death benefit, or \$4.50 a week accident and sick benefit with \$600 death benefit. Employees earning over \$13.50 and not over \$18 a week pay 50 cents weekly dues; those earning over \$18 and not more than \$30 a week, 75 cents and those earning over \$30 a week \$1 in weekly dues.

Where wages are the basis for the classification of members, a member may elect to choose a class lower than that to which his wages entitle him, but he may not select a higher class. In some associations, when a member, through an increase in his wages, is transferred to a higher class of membership, he becomes eligible for benefits in his new class immediately upon transfer. In other cases he cannot draw the benefits of the new class to which he has been transferred till after several weeks. For instance, in an eastern forging mill where there are two grades of membership, the first requiring 80 cents a month and the second 40 cents a month dues:

“Should a member change from the second grade to the first grade, he shall not draw the benefits of the first grade until six weeks after entrance into it, but shall in the case of sickness draw the benefits of the second grade, until these six weeks have expired.”

On the other hand,

“Members of the first grade changing to the second grade shall immediately on such change have claim only for the benefits of the second grade.”

### *Classification on Basis of Length of Service*

In one association the dues are proportionate to the member's length of service with the company. A member who has been in the continuous employ of the company up to six years pays 0.5% of his monthly wage in dues. If he has been over six and under ten years in the continuous employ of the company he pays 0.45% of his monthly wage, and if over ten years, 0.4%.

### *Other Classifications*

One association classifies its members according to whether they are entitled to benefits under any workmen's compensation act. All members "not employed at the manufacturing plants, mills or mines" of the company pay 1 $\frac{3}{4}$ % of their monthly wage in dues. All members "employed at the manufacturing plants, twine mills, steel mills" of the company who may become entitled to benefits under a workmen's compensation act pay 1 $\frac{1}{2}$ % of their monthly wage.

### INITIATION FEES

In addition to the income obtained from the members of an association through dues or assessments, some associations have an entrance or initiation fee. There may be a uniform fee or there may be a number of rates. The most common bases for the classification of initiation fees are age, wage, benefits desired or sex. Of the 382 associations studied, 200 have initiation fees, of which 160 are single rates. Twenty-two associations have two classes of initiation fees, seven have three classes, three have four classes, one has seven classes, two have ten and eleven classes respectively. In three associations, the initiation fee is a certain percentage of the member's weekly wages or of his monthly dues, which are based on his wages.

#### *Annual Initiation Fee*

Associations having an annual initiation fee are usually those that divide among the members the money in the treasury at the end of each year.

In one association in which the initiation fee is \$1, if a member loses his rights of membership as a result of leaving or being discharged from the company without having drawn any benefits within thirty calendar days after he became a member, the initiation fee is returned to him. If he is again employed by the company, he must pay the initiation fee on rejoining the association. If, however, a member leaves or is discharged from the company at a date later than thirty calendar days after joining the association, the initiation fee of \$1 is not returned to him; but in this case, if at any future time he is again employed by the company and becomes a member of the association, he is not obliged to pay the initiation fee.

### *Graduation According to Age*

A number of associations have entrance fees graduated according to age. In one association, the initiation fees for applicants are as follows: between the ages of 21 and 22, 50 cents; 22 and 25, 75 cents; 25 and 30, \$1; 30 and 35, \$1.25; 35 and 40, \$1.50; 40 and 45, \$1.75; 45 and 51, \$2.

Another association has its entrance fees graded thus: between the ages of 16 and 35, \$2; 35 and 40, \$3; 40 and 45, \$4; 45 and 50, \$5. Still another association has a uniform entrance fee of \$1 for all ages from 18 up to 40 and \$1 additional for each year after that. The age limit in this association is 50 years, at which age it would cost \$11 to join. This may obviously operate so as to discourage older employees from joining. The purpose of this plan, obviously, is to favor those employees who join when young. Some associations recognize that while employees who have failed to join till they were older may not be entitled to the same consideration as those who have contributed for a number of years, it is unwise to discriminate against them to the extent of making it prohibitive for them to join. If they are under the age limits, they may be allowed to join at the same entrance fee as other employees, with provision for either a higher rate of dues or a lower rate of benefits. The benefit associations in the plants of a large packing company, for example, have a higher schedule of dues for members 45 years of age and over than for those under that age. For members joining between the ages of 40 and 45, dues are one and one-half times the regular amounts; for those joining between 50 and 55, one and four-fifths times; and for those joining between the ages of 55 and 60, two and three-tenths times.

Some associations, instead of graduating dues, graduate the benefits for their older members, on the ground that making distinctions in the dues each week is a source of trouble. Thus in a middle western plant, members who join the association between the ages of 46 and 50 receive 10% less benefits than the ordinary schedules; those joining between 51 and 55, 20% less and those between 56 and 60, 30% less.

### *Graduation According to Rate of Benefit*

Initiation fees in some associations are graded according to the amount of benefits which the applicant wishes to obtain.

DUES ASSESSED BY COMPANY RELIEF AND BENEFICIAL ASSOCIATION, 1905 TO 1922 INCLUSIVE

Month	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922
January.....	\$0.35	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40
February.....	.35	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
March.....	.35	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
April.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
May.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
June.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
July.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
August.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
September.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
October.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
November.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
December.....	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
Total.....	\$2.30	\$2.35	\$2.00	\$3.20	\$2.80	\$3.60	\$4.00	\$2.80	\$1.60	\$1.20	\$0.80	\$1.60	\$3.60	\$4.80	\$4.40			

One association which pays benefits to salaried employees only after the company ceases to pay such members 70% of their weekly salary, does not require these members to pay the initiation fee when joining.

#### *Other Variations of Initiation Fees*

Some associations have higher dues for a number of weeks immediately after joining instead of an initiation fee payable before joining. Thus one association, in addition to the regular dues, collects 40 cents every fortnight for 14 weeks after joining. In the case of a member who joins one month after his employment begins this is reduced to 20 cents. In this way the employee is induced to join within a month after he enters employment.

#### *Effect of Initiation Fee*

In an association where membership is compulsory an initiation fee at a time when labor turnover is high is a remunerative source of income. This is evidenced by the experience of a Pennsylvania steel company where to all intents and purposes membership in the mutual benefit association is compulsory. As a result of the large increase in the number of employees during the war period, 1915–1918, each of whom paid an initiation fee of 60 cents on joining the association, monthly dues were collected only four times in 1915, three times in 1916, twice in 1917 and four times in 1918. The table on page 86 shows the cost in monthly dues to the members from 1905 to 1922.

### REVENUE FROM SOCIAL OR RECREATIONAL ACTIVITIES

Dances, dinners, excursions, field days and other social and recreational activities frequently provide additional sources of revenue for mutual benefit associations. In some cases members are compelled to purchase a number of tickets for the association entertainments. In other cases gatherings of a social nature are held not for the purpose of making money but simply to provide a good time for the members and to enable them to get to know each other better. In a plant where there is no other organized method of handling social or recreational activities for employees the mutual benefit association may well be utilized for this purpose.

The holding of outings, moreover, may serve as a good

advertising device for the association. A number of associations have reported to the Board an increase in membership following a successful picnic or excursion. The spirit of good fellowship that is developed through successful social gatherings is reflected in an increased interest in the association, and the attention of non-members is drawn to its work. Activities of this nature also have a beneficial effect upon the members themselves, stimulating and maintaining their interest in the association. There is danger of an association becoming an automatic arrangement, taken as a matter of course by a large percentage of its members. While the aid rendered to a fellow member in case of sickness or accident is concrete evidence of the protection afforded, interest in it is likely to lag where dues are automatically deducted from the payroll and where no benefits have been received. A dinner, a picnic or a field day emphasises the social side of the benefits which the member derives. Morale, esprit de corps, and pride in membership are thereby accentuated.

Experience has shown, however, that an association should not be dependent on such activities for a large part of its income. Dues should be such as to provide ample margin for payment of the scheduled benefits, and while social activities may profitably be engaged in with a view to providing a means whereby the members can get together and enjoy themselves, they should not be considered as in any way taking the place of dues or assessments.

The experience of the association in a Pennsylvania hardware plant offers a concrete illustration of the dangers of a contrary policy. Organized some fifty years ago, when the plant employed but a small fraction of the number now on the payroll, the association for a number of years relied upon its annual excursion to supplement the funds in the treasury. At the time of its initiation the excursion was a big drawing card and proved a good money-maker. With the growth in the size of the plant from a few hundred to several thousand, interest in the association waned, membership fell off, and it was found that the amount being paid out in benefits was increasing while that received from dues was decreasing. The funds derived from the annual excursion were not large enough to cover a deficit which should have been made up either by increasing dues, decreasing benefits or increasing the membership.

The extent to which associations engage in social or recreational activities varies greatly. In some plants other organizations take care of this work, and the benefit association is solely an insurance proposition. In a few instances the mutual benefit association finances a social club or athletic field, to secure the privileges of which an employee must be a member of the association. In plants in large cities where amusements and recreation are easily obtained and where the employees' homes are widely scattered, there is not the same scope for the development of social activities by an association as in a plant in a smaller and more isolated community. The following statement from the medical director of an eastern company having plants in a number of large cities as well as in rural communities is of particular interest in this connection:

"After four or five years' experience we have found that our employees are not greatly interested in recreational, education and social activities where plants are situated in cities or populous districts. . . . We do find, however, that in the remote sections the employees' associations are very much worth while. Great interest is taken in community problems, health, sanitation, education and certain phases of economics; men take a keen interest, giving of their time and substance to the maintenance of medical service, schools, circulating libraries, etc."

The Conference Board has learned of a few instances in which mutual benefit associations operate commissaries or cooperative stores. By means of the income derived from the factory store which the association in a middle western sewing machine plant operates it has been enabled to reduce its weekly dues from 25 cents to 5 cents. The space and equipment of the store, lighting, heating, etc., are donated by the company. This association, with weekly dues of 5 cents and a provision for an assessment when the state of the treasury warrants, pays a sickness and disability benefit of \$10 a week for twelve weeks of the first twelve months, \$5 a week for twelve weeks of the second twelve months and \$3 a week for twelve weeks of the third twelve months. It also pays a \$200 death benefit.

The association in a Michigan brass plant derives funds from the operation of the plant kitchen and canteen. The company insists that it make a profit on the operation "but not to exceed about 10 cents per person employed per month." This has formed an important source of income for the

association and, according to the Board's informant, was partly responsible for the large surplus which was built up.

#### FINES FOR ARREARS AND REINSTATEMENT FEES

Another source of revenue of associations is in the fines it imposes upon members for delinquency in dues. Some associations also have a reinstatement fee which must be paid by members who have left the association.<sup>1</sup>

#### B. Contributions by Employers

The financial assistance rendered to a mutual benefit association by the company in whose plant it is operating may be confined to assumption of the operating expenses in connection with running the association, or it may take the form of the contribution of a certain amount of money. Every association receives a certain, though indefinite, amount of company assistance, whether it be in the deduction of dues from the payroll or the privilege allowed the members of soliciting membership among the non-members. Such assistance as this, however, is not regarded by employers as constituting a contribution on their part. In this report, any financial assistance rendered by the employer is not regarded as such unless it takes one of the forms described below.

#### CONTRIBUTION ACCORDING TO NUMBER OF MEMBERS

Some companies regulate their contribution to the association on the basis of the percentage of the employees who are members, as in a western concern manufacturing agricultural implements:

"At the end of each year, if the average membership in the benefit association during that year has equalled 50% of the average total number of employees in the company's manufacturing plants, the company will contribute \$25,000 to the fund, and if such average membership has equalled 75% of such total number of employees, the company will contribute \$50,000 to the fund."

This company also agrees to advance funds for the payment of benefits when the amount in the treasury of the association is not sufficient to pay them.

In other companies a certain amount per member is contributed, irrespective of the percentage of employees who may belong. Thus a Rhode Island company contributes \$2 per member per year.

<sup>1</sup>See pp. 37, 38.

## CONTRIBUTION ON BASIS OF MEMBERS' CONTRIBUTIONS

Other companies base their contributions to the association on the amount contributed by the members. In addition, the company may assume the administrative expenses of the association. An eastern electric company contributes to its beneficial association on this basis:

"The company, or its successors, and its or their affiliated, controlled or leased companies, will assume all the expense of medical service, clerk hire, office room, and all charges for stationery, and shall facilitate in every way, without any charge therefor, the investment and handling of the relief funds, from time to time for the benefit of the association, and shall further contribute to the said fund to the extent of a sum equal to the amount from time to time contributed by the employees, members of the association, until the total sum contributed by the employees, members of the association, and the company, or its successors, and its or their affiliated, controlled or leased companies, shall aggregate the sum of \$25,000, after which time the company, or its successors, or its or their affiliated, controlled or leased companies, shall contribute a sum equal to fifty per cent of the amount contributed by its employees, members of the association, until such accumulated fund shall amount to \$100,000. After the accumulated fund of the association shall amount to \$100,000 the sum to be contributed by the company, or its successors, and its or their affiliated, controlled or leased companies, shall be an amount equal to twenty-five per cent of the sum contributed by the employees, members of the association, until such time as the accumulated fund shall amount to the sum of \$200,000, after which time the company, or its successors, and its or their affiliated, controlled or leased companies, shall make no further contribution, except at such time as the fund shall fall below \$200,000, during which the company, or its successors, and its or their affiliated, controlled or leased companies shall contribute in the proportions, and under the conditions above set forth, until the said fund again reaches the amount of \$200,000."

When the association in a southern shoe plant was started, the company paid into the treasury an amount equal to one-half the dues paid in by the members. After six months' operation on this basis the treasury "dwindled down to almost nothing." The association was reorganized, and the dues were slightly increased without changing the benefits. In addition to this, the company agreed to pay into the treasury one dollar for every dollar paid in dues by the members. This was necessary, according to the Board's correspondent, because

" . . . it was manifest that the dues we were receiving, while perhaps sufficient under a period of years to just about pay benefits, were not sufficient for the association to build up a fund which would put it beyond the reach of bankruptcy."

A company official in a Massachusetts paper concern wrote regarding the payment by the company of an amount equal to that contributed by the employees:

"This allows the paying of much larger benefits than could otherwise be paid, and the small amount it costs is more than made up in good will and the satisfaction of the employees who realize that they will receive regular compensation if they are sick and are provided with free physician's services."

In other cases the company pays 10%, 20% or 25% of the amount contributed by the members in dues. In one case in which sickness and accident benefits are carried by the association and the death benefit takes the form of a group life insurance policy, the company contributes twice as much as the amount contributed by the employees.

#### CONTRIBUTION ON BASIS OF AMOUNT OF BENEFITS PAID

In some cases the company's contributions are a certain percentage of the benefits instead of the amount paid by the members in dues. An eastern refinery donates an additional 25% on all benefits paid to the members. The company considers that this proportion is "a considerable encouragement, although not to such an extent as to prevent the members feeling that the association is their own."

A Pennsylvania publishing company duplicates all benefits paid by its association. The company's policy has been to do as much for any employee as he is willing to do for himself. Duplication of benefits by the company means paying the individual employee such sick or death benefits as he is willing through the association to carry for himself. Other companies duplicate or pay a certain percentage of the death benefit alone. An Illinois company pays benefits in addition to those paid by the association in its plant; the amount varies according to whether the disabled employee is the head of a family or not. Three dollars a week is paid to a member who is the head of a family and \$1.50 a week to a member who is not the head of a family.

## CONTRIBUTION IN THE FORM OF LIFE INSURANCE

A number of companies provide free life insurance for the members of the mutual benefit association. In these cases the insurance cannot be obtained unless the employee joins the association. When the employee leaves the company he may convert the policy into a life or endowment policy of not greater amount at the rate of premium chargeable on such policies for the age attained when the change is made. In a middle western city where the employees of all local industrial establishments belong to a single mutual benefit association, an employee on leaving a company may continue to carry his insurance policy on the annual term basis. Thus, if the annual premium rate on a man aged thirty-five years is \$3.38 per year, an employee of any of the local plants terminating his employment on the termination date of his policy and desiring to continue his policy would pay \$3.46 the next year and so on, according to rates provided.

## CONTRIBUTION OF A LUMP SUM

A lump sum based either on percentage of members, on dues, or on benefits is paid by some companies to mutual benefit associations. An eastern pottery company contributes \$2,000 annually to the association in its plant. Another concern, in addition to paying an amount equal to that contributed in dues by the members, pays \$2,000 per annum, quarterly in advance.

## CONTRIBUTION ON BASIS OF AGGREGATE WAGES OF MEMBERS

In other cases the company contributes a certain percentage of the aggregate wages and salaries of the members of the association. A New York company which operates a pension plan in conjunction with its benefit department contributes "an amount not less than one per cent of the aggregate wages and salaries of the members of this department." Out of the funds contributed jointly by the company and the members are provided "benefits because of death or disability due to other causes." The constitution of the plan states further that the company shall contribute to the benefit department an amount not less in the aggregate than:

"All sums disbursed by this department in the payment of service pensions; and

"All sums paid as premiums to the state insurance fund or other insurance carrier for workmen's compensation insurance; and

"All sums disbursed by this department in the payment of expenses of management, exclusive of sums expended for medical attendance, surgical operations, hospital treatment, medicines and surgical appliances, by reason of sickness of members and of accidents to members not arising out of and in the course of their employment by the company; and

"All sums required from time to time to make good deficiencies in the funds of this department which may arise by reason of the contributions of the members thereof being insufficient to provide for the expenditures not provided for by the company's contributions, as per the foregoing, or by reason of any other cause whatever; provided that moneys so contributed to make good deficiencies may be refunded out of any surplus thereafter arising in the funds of this department."

An Iowa concern which also operates a benefit department in several of its plants contributes to the department on a similar basis. In this case each of the plants in which the association is in operation pays one-third of one per cent of the aggregate wages and salaries paid by it to its employees who are members of the department; its share of all expenses of management (other than for medical attendance, surgical operations, hospital treatment, medicines and surgical appliances), proportionate to its payroll; its portion of the surplus of a trust fund for the purpose of securing payment of benefits to employees and their dependents to whatever extent the surplus may be required for this purpose; and its share of any sums required from time to time to make good deficiencies in the funds of the department whenever the members' contributions are insufficient to provide for benefits.

#### PAYMENT OF INTEREST BY COMPANY

A number of companies who hold the funds of mutual benefit associations pay interest on the amounts thus held. Four per cent is the usual rate of interest. One company in which this is done makes a further contribution to the association to the amount of 10% of the net balance at the end of each year.

#### COMPANY GUARANTEE OF BENEFITS

A great many companies, while not contributing any stated amount to the funds of the association, guarantee the pay-

ment of benefits. Instances of this have already been cited where the company has promised to advance funds for the payment of benefits when the amount in the treasury is not sufficient for the purpose. This guarantee may stand alone or it may be in addition to the payment of certain sums to the association. The Board has found an almost unanimous expression of opinion among employers to the effect that the company should come to the assistance of the association if it becomes involved in financial difficulties. Whether a guarantee of payment of benefits is formally expressed by the company or not, employers usually consider it incumbent upon them to stand behind the association and to be ready to render aid if it cannot support itself.

The guarantee of sufficient funds for the payment of benefits may be made with or without any consideration of repayment to the company. An eastern silk company, in addition to contributing to the association one-quarter of the amount contributed by the members, guarantees the payment of all sick and accident and death claims. Any payments made by the company to make up for deficiencies in the funds of the association during a period of three fiscal years have to be made up out of whatever surplus may accumulate during the same three-year period. That is, if the association has to call on the company for financial assistance during each of the years 1922, 1923 and 1924, any repayments to the company have to be made out of the funds raised by the association during the same three years. If the company is not repaid at the end of 1924, the association is under no further obligation to it.

#### OTHER FORMS OF COMPANY CONTRIBUTION

Another company agrees to loan money to the association under the following terms:

"The company hereby agrees to loan to the association, at 4 per centum per annum interest, not more than \$200 at any time the treasury of the association shall not contain sufficient funds to pay legitimate benefits under this constitution and by-laws, provided that such loan shall not be made more than twice in one calendar year nor for a longer period of time than ninety days."

The money paid in fines by employees who are late forms one company's contribution to its mutual benefit association.

## COMPANY CONTRIBUTIONS ON ORGANIZATION OF ASSOCIATIONS

Some companies have confined their contributions to the funds of the association to donations at the time the associations were first organized. The immediate credit balance created in the treasury in this way places the association in a position where it can meet any demands that may be made upon it for the payment of benefits.

One employer endorsed company assistance in the initial financing of an association in order that employees might obtain protection at the minimum cost:

"We believe that employers should assist in financing a mutual benefit association, to what extent we have not determined, but having great interest in our employees and their welfare, we feel that the employees should be offered returns from the mutual aid association at a minimum cost, to benefit them to a greater extent than they could obtain elsewhere from a union, another mutual aid association or from a fraternal organization."

A middle western machine tool company favored company assistance in financing the association, but warned against allowing members to retain their membership after leaving the company.

## COMPANY CONTRIBUTIONS REFUSED BY ASSOCIATIONS

The Board has learned of instances where the employees preferred to finance the benefit organizations themselves, although the companies have been willing to contribute financial aid. This was the experience of a Michigan agricultural implement company:

"The Association was organized at the suggestion of the company and it was our original offer to assist in financing it. We made a proposition to the men several years ago that we would put in a dollar for each dollar which they subscribed in dues. They were suspicious at the time and flatly declined the offer on the ground that the company had some ulterior motive in making such a proposition. They announced their intention of forming an association of their own and under their own management. Without leadership this failed to materialize and they again approached the company for assistance. We notified them that we could not duplicate our original offer, but would take care of the bookkeeping and supply such printing as was necessary. They accepted the offer and the association was organized about ten years ago. It has operated successfully since that time."

Similarly, when the association in a New York pottery company was being organized, the employees were asked if they

desired the management to assist financially in its operation. The result was "a unanimous verdict in favor of the men running the society themselves." The only assistance which the employees asked for was clerical work, which is taken care of by the payroll and employment departments.

In a Pennsylvania plant the company donated \$200 to the association when it was organized. This was a gift on the part of the company, but rather than be under any obligation to the company the association paid it back when there was a sufficient surplus in the treasury.

Employers who contribute financially to employees' mutual benefit associations are unanimously in favor of the maintenance of the funds. The elimination of economic waste due to sickness is an object that deserves the support of every employer, and the mutual benefit association is one means that may be utilized for this end. Financial aid by a company not only enables an association to pay larger benefits and include in its membership employees who might otherwise have to be excluded in a self-supporting association, but is a concrete expression of the company's interest in the welfare of the workers.

## VI

### COMPANY PARTICIPATION IN ADMINISTRATION OF ASSOCIATIONS

Closely linked with the question of financial assistance of a mutual benefit association by a company is that of company participation in its administration. While a number of employers are of the opinion that the company should abstain from any participation in the management of associations, most companies favor some degree of indirect participation. Management should give the association its moral support, show the employees that it is interested in the success of the association and lend its counsel and advice for this end. This seems to be the prevailing opinion on the subject.

#### PARTICIPATION CONFINED TO A MINIMUM

One company which contributes \$2,000 annually to the mutual benefit association in its establishment wrote that it did not think it wise for management to participate in the conduct of an association "except to wisely counsel with the officers who are chosen from the employees."

The attitude of a Delaware rubber concern was that, apart from giving advice, management should allow the association "to function as it sees fit." It was this company's belief that "if the proper relation exists between the management and the employees, they will ask for advice."

In many companies, company participation is confined to taking care of the clerical work, providing a suitable place for the meetings of the association and deducting the dues from the payroll. One employer expressed the opinion that this should be the limit of company participation.

"We believe the management should not participate in the conducting of the association directly, but should give moral support by providing assistance in the matter of a suitable and convenient place and time for meetings of officials of the association, also in promoting economical administration by cooperation by paymaster of the plant relative to collection of dues."

Two companies stated that they had found from experience that more efficient administration was obtained by management

taking over the routine work of the association than by leaving it in the hands of the employee officers. One of them wrote:

"Our office now looks after all routine work of the Association instead of this work being done by one of the members who was paid a nominal sum for time spent in such connection. Unless an exceptional man is elected, the work is very inefficiently handled."

Other employers did not indicate in detail in what manner a company should participate in the management of the association but merely stated that the employer's chief concern should be to see that the association is run in a business-like and efficient manner. One employer wrote:

"In order to have an association of this kind appeal to the workers, the management should be largely in the hands of the workers, with just enough of guidance from the management to insure efficient management and the adoption and maintenance of sound rules and regulations."

In an eastern electrical company the company appoints the general chairman of the association, whose duties are to "look after the interests of the association in general" and to "see that all transactions are carried out in conformity with the constitution and by-laws." Nevertheless, "he must allow employees to run the association 95%."

An Illinois printing house, while convinced that management should participate in conducting the business of the association, believed that such participation "should be merely to guide and advise."

"Just as little as possible" was a western paint company's view as to the desirable extent of company participation in administration. This company found it necessary only to start the association. Since then there have always been "enough good employees with good sense and judgment to constitute the official board and committees to carry on the work."

A Rhode Island foundry company favored participation in administration "merely to the extent of seeing that everything goes along properly." It was not in favor of management being on the executive committee or board of directors of the association.

A number of employers cautioned against participating in the administration of an association to such an extent that the employees would get the impression that the company was actually running it. One company in which, according to the

constitution and by-laws of the association, the company treasurer must be its treasurer, stated:

"We do not think the management should participate in the conduct of the Association except as it may be desirable to have some little representation to stabilize it or give it the moral backing of the management, but if the management has the appearance of actually running the Association, it detracts from its attractiveness to the employee in our estimation. Such an Association as this with a board of managers elected from the employees should be able to handle its own affairs with some slight regulations proposed by the management that would prevent its getting into the hands of an irresponsible board.

One company gave as its opinion that the extent to which management should participate in conducting the affairs of the association depends upon "the education and mentality of the employees." Management should simply see that the association is conducted on sound financial lines. It should always be willing to cooperate with and advise the officers of the association whenever such cooperation and advice is requested.

A Pennsylvania shipbuilding company did not think it advisable for management to participate in the conduct of an association because of the distrust that labor often exhibits toward capital in the operation of welfare projects.

#### ADMINISTRATION BY MEMBERS ONLY

The experience of an Ohio company with its employees' mutual benefit association, covering a period of over twenty-five years, has convinced it that the association should be managed entirely by the members.

"The Association has been in existence now for over a quarter of a century. The first ten years of its existence were not very successful in the way of securing the support of a large per cent of our co-workers; but fifteen years ago we reorganized and threw the management entirely into the hands of employees. Prior to that time it had been largely managed by the officials of the company. Experience taught us that for officials of the company to have any part in the management was not a good thing. The management used to offer bonuses, partial payment of dues, and other inducements, but none of these had sufficiently strong pulling power to get the interest of the men. Upon the reorganization when all of the responsibility of management was placed upon the men themselves, the Association began to take on new life."

It is to be noted, however, that in this case the employees "are assisted in every way possible" by management.

In another plant where the company contributes \$2 per member, there is practically no company participation in the administration of the association. One of the company officials expressed himself strongly against management taking any part in the conduct of the association. The inevitable result, he said, would be to arouse suspicion and distrust on the part of the members. While the company was willing at all times to give its advice when requested, it was opposed to taking any share in the management of the association. That the company was interested, however, in seeing that the fund was efficiently and equitably administered is evidenced by its action in a situation that arose with regard to medical attendance for disabled members. The association, in addition to providing disability and death benefits for its members, furnishes them with medical attendance during their illness, paying a lump sum each year for the services of a physician. It was discovered that the physician was not performing his duty and was allowing members to remain away from work and draw benefits for a longer time than they were entitled to. Thereupon the company notified the association that unless a change was made and a new physician obtained, its contribution of \$2 per member would be discontinued.

A New York furniture company reported that when management essayed to give advice to the officers of the association it met with a "tacit spirit of resentment." It was this company's opinion that the less management takes part in the administration of the association in the way of advice or assistance "the better for the association, and the deeper the interest the men, themselves, will take in it."

#### COMPANY REPRESENTATION ON GOVERNING BODY

In other concerns certain of the officers of the association are appointed by the company and a more direct interest is taken in the administration of the fund. The object of having officers appointed by the company on the governing body of the association is to ensure stability. It is felt that better results are to be obtained by having a certain number of permanent members on the board of directors of an association than by having the personnel change at each election. The appointed officers also

exercise supervision over the conduct of the affairs of the association. Under the constitution of one association the company appoints a superintendent, secretary and treasurer. It is stated that this plan of appointive officials "naturally results in a more business-like administration of the affairs of the association."

Another employer favored company representation on the governing body of an association, particularly if the company contributes to its support:

"It is necessary to see that the constitution is rigidly adhered to and that moneys are well safeguarded, and with representatives of the management on the board of government proper advice can be given to employees with less experience."

In an Ohio plant the members of the association elect all the officers with the exception of the chairman, secretary and treasurer, who are appointed by the company. This is done in order to have these positions filled by men in whom the company has confidence.

The management of a southern association is vested in a board composed of the foremen of the various departments of the factory, the superintendent of the factory being ex-officio a member of this board.

One association is under the supervision of the relief department of the establishment, this department in turn being "in the executive charge of the general superintendent whose directions in carrying out its regulations are to be complied with, subject to the control of the vice-president." The establishment guarantees "the fulfillment of the obligations assumed by it in conformity with the regulations from time to time established." It takes charge of the funds and is responsible for their safekeeping, and supplies the necessary facilities for conducting the business of the association. It also pays all operating expenses. The advisory committee of the association is composed of six association members, in addition to the general superintendent, who is ex-officio a member and chairman, and the cashier of the company, who is secretary of the committee.

It is a common thing for the paymaster, cashier or treasurer of an establishment to be made treasurer of the mutual benefit association. The treasurer for one fund, for instance, is the paymaster of the establishment. This same fund has a board of seven directors, one of whom is named by the company.

In several associations the officers are selected or appointed

indirectly by the establishment. In one fund the board of directors is elected by fund members, and the officers in turn by the directors. The constitution of this association stipulates, however, that "each director and officer of the association, shall, as a condition of eligibility to office be acceptable to and approved in writing by the company, and the name of each director or officer nominated shall be submitted to the company and approved by the company before any such officer shall be eligible to election." With regard to this provision, an officer of the company wrote the Board:

"At no time has any name which has been submitted to the company been rejected. This requirement of the company is purely a precautionary measure to prevent any person of wrong moral character obtaining a seat on the board of directors and is in no way a precaution taken by the company as a means of dictating the policy of the association . . . the only supervision that the company exercises over the mutual benefit association is for its protection. The mutual benefit association adjusts all its claims, makes its own rates of dues and is run entirely by its board of directors."

It is generally acknowledged that the secretary or treasurer or whatever officer handles the funds of the association, has one of the most responsible positions in the organization. The Board's investigation has shown that the members of an association are frequently only too glad to avail themselves of an offer on the part of the establishment to allow the company paymaster, cashier or treasurer to act as the association treasurer or secretary. The establishment, on the other hand, particularly if it contributes to the fund, naturally desires to know that the financial affairs of the association are being conducted on a business basis, and the appointment of a company officer in those circumstances seems logical.

One society studied follows voluntarily the policy of electing to its board of managers only men who have reached the rank of foreman or superintendent in the establishment. The association constitution stipulates, also, that one member of the board shall be the head of the company bureau of safety and welfare. This policy is the result of a conviction on the part of the association members that men occupying such positions as those designated are better qualified to formulate the policies and guide the affairs of the association and that they command greater confidence than would the rank and file of association members.

## COMPLETE COMPANY CONTROL

A western corporation has mutual benefit associations in several of its plants. Membership in the associations is compulsory. After fourteen years' experience, it is the corporation's opinion that employees will have greater confidence in an association managed by the company than in one managed by fellow employees. The company says:

"Of course this opinion is based on the knowledge that we have been absolutely just and fair in the handling of the plan and charge nothing against the fund for such service. We believe it fair for industry to assume part of the cost of the Sick Benefit Fund. We believe it necessary to manage, and it is hardly fair to manage without contributing something toward the Fund. It is also necessary to have some centralized control of the selection and handling of the doctors. This can be much better done by management than by employees."

## GENERAL OPINION ON COMPANY CONTROL

There appear, therefore, to be three groups of opinions as to the extent to which a company should participate in the conduct of a mutual benefit association. These may be indicated in the following way: complete control by the company; representation of the company on the governing body of the association, particularly where the company contributes in a financial way to the fund; participation in administration only to the extent of a willingness to aid and counsel with the employee officers when requested. It is to be noted that the method of complete control by the company was advocated by only one firm. In this association membership is compulsory.

The weight of opinion of employers is apparently in favor of delegating to the employees as much responsibility as they can assume, consistent with the successful operation of an association. In a fund where the company contributes a certain amount of money, management undoubtedly has a claim to such supervision of the fund as will ensure a businesslike and equitable administration of it. The method adopted to secure this end does not seem to be important. It may be gained either through representation on the board of directors of the association or merely by guidance and advice without official representation. Paternalism should be avoided, but cooperation sought after and encouraged.

## VII

### BENEFITS

The benefits commonly paid by mutual benefit associations are for temporary disability, due either to sickness or accident, and for death of members. The following table shows the number of associations paying various kinds of benefits among those covered in this study.

Sickness, accident and death.....	307
Sickness and accident only.....	49
Sickness and death only.....	15
Sickness only.....	4
Accident only.....	1
Death only.....	5
Accident and death only.....	1
	<hr/>
	382

One association pays an unemployment benefit to its members. Twelve associations pay for the loss of a limb or limbs and for the loss of sight of one or both eyes. The benefit ranges in amount from \$25 for the loss of one limb or the sight of one eye to \$4000 for the loss of two limbs or the sight of both eyes. The benefits usually paid for such disabilities are \$50 and \$200 respectively.

Six associations pay a lump sum in lieu of weekly temporary disability benefits. This sum may be either the maximum amount of temporary disability benefits stipulated by the constitution of the association or else an amount agreed upon by the member and the association. One association in which this was the practice stated that the payment of a lump sum to members at the beginning of their disability enabled them to obtain hospital treatment which they would otherwise not have been in a position to secure. Another advantage of this method was said to be that the money paid members in such cases enabled them to move to another part of the country and secure employment which their disability did not prevent.

#### TEMPORARY DISABILITY BENEFITS

Temporary disability benefits are benefits paid over a specified period to members of associations who are temporarily in-

capacitated. They are generally paid for both sickness and accident, but in some funds they are paid for sickness only, and in others for accident only. There may be a distinction between the time benefits are paid for compensable and non-compensable accidents. Some funds do not provide payment for compensable accidents which are taken care of either by a workmen's compensation act or by some separate insurance scheme; other funds pay for both compensable and non-compensable accidents. In the latter case benefits for compensable accidents may be paid only for the period prior to the time when payments are made under the workmen's compensation act. In some cases where the schedule of benefits paid by the association is greater than the amounts payable under the workmen's compensation act, the association may pay only the difference between the two.

The amount paid in weekly benefits for temporary disability varies greatly in the associations. The lowest benefit paid among the associations studied is \$2.50 a week, the highest \$40 a week. The predominant weekly rates are \$5 and \$6. The amount of benefits that can be paid by an association depends, of course, upon the rate of dues. Another important factor is the length of the waiting period.

#### *Adequacy of Benefits*

The Board has found that a number of associations in which the disability benefits are \$5 or \$6 a week consider such an amount an inadequate sum under the present cost of living scale. In many cases the schedule of benefits was drawn up ten or fifteen years ago when the workers were not only receiving lower wages but when the cost of living was less than it is today. One dollar a day was at that time considered sufficient for a provident worker to support himself and family during the time he was unable to work. The decrease in the purchasing power of the dollar has been such during recent years, however, that the associations feel that a larger weekly benefit should be paid.

This is particularly true of those funds which do not provide free medical attendance. Members of associations in which the disability benefits are \$5 or \$6 a week stated that medical attendance very often alone cost them that much.

The plan of contributory life and disability insurance of a Connecticut plant is of interest in this connection. The benefits paid by the mutual benefit association are \$7 a week for eleven

weeks for cases of sickness and accident, with a waiting period of one week, and \$100 death benefit. For the last three or four years the company has provided its employees with free life insurance under a group contract with an insurance company. It was found that this was not only expensive but was not generally appreciated by the employees. The plan was accordingly revised and put on a contributory basis. It now includes life and disability insurance and employees who subscribe to the plan pay \$.25 a week. The new schedule of benefits for disability for employees who are members of the association and who have been in the service of the company for one year are \$7 a week paid by the benefit association for eleven weeks plus \$5 a week paid by the insurance company. Commencing with the twelfth week and continuing for a maximum of fifty-two weeks a weekly benefit of \$12 is paid by the insurance company. The life insurance provided ranges from \$500 for employees of one year's service, with an increase of \$100 for each year of continued service to a maximum of \$1000. One of the reasons given by the company in announcing the revised plan was:

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"Certain recent occurrences of disability due to accident and disease have proved to us the inadequacy of the benefits provided by the Mutual Benefit Association for relieving financial distress."

#### *Relation of Benefits to Wages*

The amount of benefit that should be paid is closely connected with the amount of wages and the standard of living. Recognition of this fact is made by those associations in which membership is so graded that the amount of benefits a member may receive is proportionate to his regular weekly or monthly wage.

Where the amount of insurance that may be carried is limited to a certain percentage of a member's average wages, this is done in order that there may be no inducement for a member to remain on the sick list when he is able to return to work. One association prohibits a member from joining a class in which the benefits are more than 80% of his wages. In others members are not allowed to carry benefits which amount to more than 50%, 60% and 75% of the average weekly or monthly wages. According to the constitution of one association, members cannot insure themselves for more than \$10 weekly benefit nor can they carry more than the amount of their average weekly wages for the previous three months.

The experience of one association in a middle western establishment shows that employees themselves prefer benefits which are from 50% to 60% of their wages.

The association in a Pennsylvania electric company pays 50% of a member's regular wages for ten weeks in case of sickness. In case of a compensable accident the member receives a sum equal to the full amount of his regular wages for the first fourteen days. Beginning with the fifteenth day of disability, the amount payable to the member by the association is equal to the difference between the amount to which the member is entitled under the Workmen's Compensation Act of Pennsylvania and his full regular wages. In case of non-compensable accident the disabled member receives an amount equal to his full regular wage for ten weeks.

All employee members of the association in a Pennsylvania publishing plant who are earning up to \$40 a week receive their full weekly wages in case of sickness or non-compensable accidents. The association pays one-half the regular weekly wages in benefits, and these are increased 100% by the company. In thus increasing the sick and disability benefits of the association, the company insisted "that the business of the association be properly transacted, as the same may affect every case in which benefits are paid" and reserved the right "to withhold payment when not satisfied that benefits are justly due."

Benefits are paid for ten weeks in a year. In view of the fact that a disabled member receives his full wages during the time of his disability, it is interesting to note that the company believes there is "very little 'soldiering' in order to draw benefits." The management expressed itself as "thoroughly satisfied" with the operation of the association.

#### *Relation of Benefits to Other Insurance*

Another factor that is sometimes considered in regulating the amount of benefits payable by an association is the amount of insurance a member may be carrying with other organizations. Thus one association, in outlining the benefits which a member may elect to choose, states that "no member shall receive from all sources temporary disability benefits in excess of 90% of his average wages for the three months preceding disability."

The following clause in the constitution of one association

outlines what a member must do if the total benefits received from the association and outside organizations exceed his regular wage:

“A member shall not receive from this and other sources benefits and insurance which in total equal or exceed his regular wage. In such case he shall arrange for a reduction among his insurers of benefits, or this Society may reduce its benefits until his income from such sources shall not exceed 90% of his wage.”

In another association, if a member is receiving “financial relief or assistance approximating 50% or more of his (or her) wage” through channels other than those of the association, the sick benefit payable by the association is one-half the usual amount.

The association in a western plant, in case a member carries other sickness insurance making a total indemnity in excess of his regular wages, pays only such proportion of the regular benefits as his regular wages bear to the total indemnity.

In associations where there is no restriction as to the amount of benefits payable in case members are carrying outside insurance, reliance for the elimination of malingering is apparently placed on the supervision of beneficiaries by either the association physician or a visiting committee. Experience shows this preferable to a flat limitation of benefits. If disability insurance is a valuable asset for a worker, no distinction need be made between the insurance he may be already carrying and that offered by the benefit association. The fact that he can retain his insurance in fraternal or other outside beneficial associations when he leaves the company's employ is doubtless a feature that makes considerable appeal to the worker. The man who is carrying industrial or other additional insurance is to be encouraged rather than handicapped. The association should, however, make certain that as far as its payments to the disabled member are concerned, they are continued only as long as he is entitled, according to reliable medical opinion, to receive them. This may be taken care of by having a clause in the application blank placing final authority as to the payment and discontinuance of benefits in the hands of the governing body of the association, who should be guided by the report of a physician. The association may limit the benefits payable by it to a certain percentage of the member's wages, but it is questionable whether it is advisable to penalize a man who has been

provident enough to carry and pay for insurance in other beneficial organizations.

#### *Term for Which Benefits Are Paid*

A large majority of the funds pay benefits for temporary disability due to sickness or accident during a single specified period only, either for each disability or for all disabilities. Where the total of all disability payments is limited to a certain number of weeks in a year, thirteen weeks is the period most commonly adopted. Among the associations studied, the lowest number of weeks for which benefits are paid in a year is five. One association limits the amount of benefits a member may draw in a year to not more than ten weeks' full pay. Another stipulates that "no member shall be entitled to benefits for a longer time than he or she has been a member of the association previous to date of sickness," with a maximum of thirteen weeks. Where the amount of benefits paid is restricted to a certain number of weeks for each disability, thirteen and twenty-six weeks are the predominant periods.

Where benefits are restricted both as to the number of payments made in a year and for one disability, thirteen weeks is the ruling period for which benefits are paid for one disability and twenty-six weeks the limit for which benefits are payable in a year.

Of the 382 funds studied, only seven provide for payment of benefits throughout the whole period of disability regardless of its length. In each of these the amount of benefit decreases as the time of disability is extended. Thus one association pays \$7 a week for the first three months of disability, \$3.50 a week for the second three months, and \$1 a week for the remainder of the disability. In another case after a payment of \$5 a week for thirteen weeks, followed by \$3 a week for an additional thirteen weeks, the benefit is reduced to \$2 a week during the remainder of the disability. One association in the case of permanent disability provides its members with pensions varying according to their wages and length of service with the company.

#### *Extension of Benefit Payments*

There is a considerable variety of regulations among associations regarding the eligibility of a member for further temporary disability benefits after he has drawn the maximum

number of weeks benefits payable either in a year or for one disability. A number of associations in which not more than thirteen weeks' benefits are paid for one disability and not more than twenty-six weeks' in a year, state that a member, after having drawn thirteen weeks' benefits, must work at least four weeks before he is entitled to another temporary disability benefit for sickness. Other associations in which not more than thirteen weeks' benefits are paid in a year have the following clause in their constitutions:

“If the sickness or disability of any member of this association shall continue for more than one calendar year and the member shall have drawn benefits for the full term of thirteen weeks on account of such sickness or disability, he shall not be entitled to draw benefits again until he shall have been at work for a period of four weeks.”

One association in which benefits are paid for seventeen weeks stipulates that a member, after having drawn benefits for the full term of seventeen weeks, shall not be entitled to further benefits until one year has elapsed from the last payment by reason of the first sickness, during which period the member must actually have worked in the plant and paid the regular dues and assessments.

Another association provides that, after having received the full amount of disability benefits payable in a year, a member shall not be entitled to further benefits unless he or she has been at work at least sixty days after the termination of the year.

Some associations provide that, after having drawn benefits for the maximum period for which they are payable, a member is not entitled to further benefits till a period of time equal to that during which he drew benefits shall have elapsed.

In one association a member, after having drawn full temporary disability benefits, must work thirty days before he is entitled to further benefits. If the member is disabled by accident, however, he is immediately entitled to another period of disability benefits.

#### *Continuation of Disability*

Where there is a specified number of weeks for which benefits are payable for one disability, or where there is a distinction made between the number of weeks during which benefits are paid in a year and the number of weeks they are paid for one disability, it is necessary that definite rules be laid down as to

what constitutes the continuation of a disability. If benefits are paid only for thirteen weeks for one disability and only for twenty-six weeks in a year, it is of importance to know whether one disability following another is to be considered as part of the first disability, in which case benefits covering both disabilities would not exceed thirteen weeks; or whether the second disability is to be considered as a separate disability, in which case the member would be entitled to benefits for the second disability alone for a period of thirteen weeks. A number of associations have a provision in their constitutions to the effect that disability beginning less than four weeks after a previous disability is considered as part of the former disability unless there is positive evidence to the contrary. Benefits are then paid only for such length of time as added to the previous disability makes up the prescribed maximum number of weeks for which benefits are payable for one disability. The difference between regarding such a second disability as a continuation of the first one and that of regarding it as a separate disability may be easily appreciated from the following illustration: "A," after having drawn eight weeks' disability benefits in an association in which thirteen is the maximum number of weeks for which benefits are payable for one disability, returns to work, but after working a fortnight is obliged to quit on account of illness again. Under the provision that his second disability, which took place within four weeks of his return to work, is a continuation of the first disability, "A" is entitled to only five weeks' benefits. If his second disability occurs after he has worked more than four weeks he is entitled to receive thirteen weeks' benefits for it, if the number of weeks' benefits payable in a year is greater than that payable for one disability. If, however, the number of weeks' benefits payable in a year is the same as that payable for one disability, the question of the continuation of a disability does not arise.

One association which pays thirteen weeks' benefits for one disability and eighteen weeks' benefits in a year provides that that if one disability follows another within a week, the second disability is to be considered a continuation of the first. Benefits are then paid for the second disability for only such number of weeks as, added to those for which the member was paid for the first disability, make up thirteen weeks.

In another association, if the second disability does not occur

within one week from the time the member returns to work, he has to wait one month before he is entitled to further benefits. In this association benefits are not payable for more than twenty-six weeks in a year. The total number of weeks' benefits which a member may obtain, however, is not affected by whether or not his second disability occurs within a week from the time he returns to work.

Another association has a similar provision whereby an employee who has been disabled and returns to work for more than a week cannot draw further benefits until the expiration of a period equal to the time he was on the sick list. If, on resuming after being disabled, he works for less than a week, he is again placed on the sick list and may continue to draw benefits up to forty weeks, which is the limit for which temporary disability benefits are payable in the year.

A number of associations do not specify any period during which a second disability must occur in order for it to be considered as a relapse and a part of the original disability. The decision as to whether any disability shall be considered a relapse or an original disability is made by the medical director or the association physician, whose decision is final.

#### DEATH BENEFITS

Of the 382 associations investigated, 328 pay a death benefit. This ranges from \$12.50 to \$5,000. The most common death benefits are \$50 and \$100.

In ten of the associations the amount of the death benefit varies according to the number of members, each member being assessed a certain amount. Four associations pay death benefits only. Death benefits are paid to members' dependents in forty-seven associations, the amount of the benefit varying from \$10 to \$200. In two associations death benefits are paid in case of the death of a dependent member of the association member's immediate family, but not in the event of the death of the member himself.

Some associations make a distinction between a death benefit and a funeral benefit. In a number of associations a part of the death benefit may be withheld by the association and used to pay for an undertaker's services. An eastern steel plant in which this is done was convinced that a great saving was affected

in this way for the employee's family. The company has an arrangement with the undertakers in the town by which, in consideration of an equitable distribution of the funerals of members of the association, a standard rate is charged for funeral expenses. This method is reported to have reduced the funeral costs to the families of members. In a few instances the association, in addition to paying a death benefit, provides a coach for the funeral. Flowers to the value of \$5 or \$10 may also be sent to the member's beneficiaries.

Where the death benefit paid by the association is in the form of group insurance, a member on leaving the firm may usually have the policy converted into a policy of life insurance in any one of the forms customarily issued by the insurance company, except term insurance, in an amount equal to the amount of his protection under the group insurance policy at the time of the termination of his employment. Conversion has to be made within a certain length of time, usually thirty-one days, but no medical examination is necessary. The premium on such converted policy is that applicable to the class of risks to which the member belongs and to the form and amount of the policy at his attained age. One association which covers all of the local industries in a middle western city has an agreement with the insurance company which carries its group life insurance, whereby a member who leaves the employ of any of the local industries may continue to carry his policy on the annual term basis.

Among the various factors which affect the amount of the death benefit paid by associations are the length of membership of the deceased member, the amount of money in the treasury, the number of members in the association, the marital condition of the deceased member, and his age at the time he joined the association. In one instance the amount of the benefit is left to the discretion of the board of directors.

#### *Payment of Death Benefit after Full Disability Benefits*

Some associations do not have any constitutional provisions covering a member's eligibility to death benefits after he has drawn a full period of temporary disability benefits. A number of associations, however, do not pay death benefits under these circumstances unless the death occurs within a certain period after the last payment for disability benefits. This period varies from two weeks from the time the last payment was made to

two years from the beginning of the disability. Several associations pay a death benefit to a member who had drawn disability benefits for the maximum period and who was still disabled, only if his death occurred within one year from the time of the first payment of temporary disability benefits. During that year he must have been wholly disabled, and have had a physician in constant attendance upon him during the entire period. Others require that the member be wholly disabled during a year from the time of the payment of his first disability benefit, and if death occurs within that time a death benefit from which all unpaid dues are deducted is paid his beneficiary.

One association, which pays temporary disability benefits for not more than thirteen weeks in a year, does not pay a death benefit in the case of a member who has drawn thirteen weeks' temporary disability benefits unless his death occurs within two weeks of his last disability benefit payment.

The association in an Ohio machinery plant pays one-half the regular death benefit to the beneficiary of a member who has drawn temporary disability benefits for thirteen weeks, which is the maximum period.

Other associations allow a member to remain eligible for death benefits for a certain period after drawing full temporary disability benefits, and if the member is still disabled at the expiration of that time he may continue the right to a death benefit by paying certain dues. One association does not allow a member to retain his title to death benefit for any length of time without the payment of dues after he has received the maximum amount of temporary disability benefit.

A few associations, on the other hand, allow members who are still disabled after having drawn full disability benefits to retain their death benefit privileges without payment of dues as long as they are disabled. They must, however, report to the association fortnightly.

### *Contestability of Death Claims*

In most associations the conditions which contribute to the forfeiture of sick or disability benefits apply also to death benefits. A great many funds stipulate the conditions under which sick and accident benefits are forfeited, but in many cases no specific reference is made in this regard to death benefits.

Experience of associations in handling death benefits indicates

that this is a point on which every constitution should be specific and on which members should not be in doubt. There may be extenuating circumstances which would warrant modifying or waiving such provisions in individual cases, but, in general, the regulations covering forfeiture of death benefits should be clearly set forth and it should be understood that they are to be rigidly enforced. Almost all associations having restrictions covering the forfeiture of benefits provide for notice to members of delinquencies such as arrears, misconduct or failure to follow the rules and regulations of the society in any particular. It is desirable that a member should be given an opportunity to adjust any difficulties which might debar his dependents from benefits in case of his death.

#### EXECUTION OF RELEASE OR WAIVER

A few associations require members to execute a release or waiver relieving the company from the payment of any sum over and above the benefits to which they would be entitled from the association, in case of injury, disability or death from accident. This in effect is a release of the establishment from all claims on the part of an employee for damages arising from death or injury while in the employ of the company, and by signing such release the association member forfeits all rights to benefits from the association if he brings suit for damages against the company. For instance the constitution of a New York association contains the following provision:

“As a condition precedent to receiving or being entitled to receive any death or disability benefit from this Department, the person receiving or otherwise entitled to receive the same must execute a release of the Company from any and all liability for such death or disability other than under the provisions and regulations of this Department. The payment of any sum to or for the benefit of such person, whether before or after judgment, on account of any such actual or alleged other liability shall exclude such person from benefit for such death or disability under the provisions and regulations of this Department; and if suit is brought to enforce any such alleged other liability, no such benefit will be payable until such suit is discontinued or is finally decided in favor of the Company.”

In general it may be said that such releases are permitted under the laws of most states, except as they may be affected by employer's liability, workmen's compensation and similar legislation. Where acts such as those mentioned enter in,

waivers may cover benefits derivable from the mutual benefit association, but no waiver can negative the benefits under workmen's compensation or acts of a similar character.

No attempt is made in this report to discuss in detail the legal aspect of the waiver. The laws of different states relating to the waiver differ. Before a waiver is adopted by any association it is advisable that competent counsel be consulted as to its legality in the particular state, and the results likely to follow its adoption.

#### MEDICAL ATTENDANCE

##### *Free Medical Attendance*

In addition to cash benefits for temporary disability and death, 46 of the 382 associations studied provide their members with free medical attendance during disability. This may be rendered by the company doctor and be confined to treatment at the plant or, where the association pays for the services of a physician, he may be required to visit the members in their homes and render medical treatment there. These figures include associations which bear a certain amount of hospital or surgical expense as well.

It is probable that in a great many more of the associations medical service is provided by the plants themselves. Such service is likely to be available for all employees irrespective of their membership in the association and therefore cannot be regarded as one of the benefits provided by the association for its members.

Where an association has a physician it is not compulsory for members to be attended by him. However, if the member secures his own physician the association does not pay for such services. In some cases it is required that the association physician ratify the member's choice of a doctor to attend him during his illness.

The duties of the association physician are usually as follows: to examine all applicants for membership; to give full medical attention in all cases of accident, sickness or death of members; to make a prescribed minimum number of visits upon the members during disability; and to determine when a disabled member is fit to return to work. In associations where a certain amount of hospital or operation expenses are paid, payments are made only on the recommendation and certificate of the association physician.

A packing company which has associations in several plants furnishes free the services of its medical department. In those of its plants in which there is no medical department, members of the association are entitled to an allowance for medical treatment or service not to exceed \$2.50 per week "when expended, and proper receipt thereof is given, for a period not exceeding twenty weeks in any twelve months." This is in addition to a disability benefit of \$7.50 a week. Another association adds to its weekly benefit one-third of the amount to be used by the disabled member in paying "for such nursing and medical attendance as may be necessary to aid his early recovery."

#### *Assumption of Hospital Expenses*

Several associations assume a certain amount of hospital expenses in the event of a member having to undergo an operation or other treatment that necessitates his removal to a hospital. Payment of hospital expenses and operation fees may be made dependent upon a certain length of membership in the association. Some associations pay for medical, surgical, or hospital services only in the case of non-industrial accident injury. In the case of one association in which this is done, not more than \$100 may be paid for any one disability.

The association in a middle western plant, in addition to providing members with the services of a physician, pays hospital expenses up to eight weeks, assumes \$25 of the expenses necessary for the services of a specialist and gives free to each member two X-ray examinations for injuries or sickness not caused by accidents covered by the state compensation law.

#### *Dental and Other Service*

Dental benefits are provided by one association. Members of six months' good standing are entitled to annual financial assistance on their dental bills to the extent of \$25. Such dentistry must have the approval of the company dentist before it is done.

Expenses of tonsil and adenoid operations to its members and dependents are assumed by one association. The operations are limited to two for any one member and his dependents during any one year.

Three associations, instead of paying a weekly cash benefit in case of temporary disability, pay all or a portion of doctor's

or hospital bills within certain prescribed limits. No weekly benefits are paid by one association unless the member has paid three months' dues, but he is entitled to the services of the association physician immediately upon joining. Two associations provide their members with the services of a private institution giving periodical medical examinations.

A few associations provide treatment for those of their members who develop tuberculosis. One association pays full wages for a year to a member who, after a membership of five years, contracts tuberculosis. This is conditional upon the member placing himself promptly under such medical treatment and curative surroundings as the plant doctor suggests or approves of.

#### PREVENTIVE MEDICAL WORK

In most associations it is the physician's function to see that a member who is disabled and drawing benefits be cured as soon as possible and taken off the sick list. In only two associations was there found any appreciation of the prophylactic value of medical treatment as contrasted with its palliative or curative value. In one of these it is the association physician's duty, in addition to taking care of disabled members, to visit the plant every morning where he is available for consultation by any member of the association. In the other case the "general function" of the physician is "to keep the members well as far as practical, rather than merely to minister to the sick and injured." He examines all applicants for membership, at which time it is his duty by advice "to improve their state of health" whether they become members or not.

Both from the humanitarian and the economic viewpoints medical attendance and treatment for disabled members are advisable. The importance of such treatment for the disabled members themselves is obvious. In many associations the rate of benefit is so small that competent medical advice and treatment are rendered prohibitive to members. The serious consequences which may result from imperfect or erroneous diagnoses and treatment by physicians of doubtful standing should be guarded against by an association, not only from the viewpoint of the welfare of the members themselves but also because of the continued strain such maltreatment of members may have upon the financial standing of the association itself. A disability that under timely and proper treatment may be cured in

a short time may otherwise develop into a permanent disability. The association owes it both to itself and to its members to prevent such a situation arising.

Where employees express opposition to the policy of having a certain doctor as the association physician for whose treatment alone the association will pay, or where employees prefer cash benefits alone, the formation of an association should not on that account be abandoned. Cash benefits are better than no protection against disability, although a smaller cash benefit in conjunction with free and proper medical treatment during disability is undoubtedly of greater value to a disabled employee than a larger cash benefit without proper medical care. Local circumstances may be such that only the cash benefits may be feasible at the time of initiating the association. The provision of medical treatment, however, is one of the ways in which the association may render fuller service to its members. When it has become well established financially and the question of giving the members increased benefits arises, this phase of the subject should receive the fullest consideration of the governing body and of the membership.

Up to the present time the mutual benefit association has been chiefly an organization for providing financial assistance for employees when disabled. Of late years an increasing number of associations have come to recognize the importance of competent medical attendance and treatment during disability. A few associations are now developing what is undoubtedly a most important and significant feature of their work—that of preventive or corrective medicine. It would seem that such activity may be an important future development of the work of mutual benefit associations:

This development is parallel with the change that has taken place, in recent years, in the conception of the position of the industrial physician. Regarded at first as one whose duty it was to look after the sick and injured in industry, it is now generally recognized that his task is to prevent and reduce to a minimum sickness and injury within the plant. Where the industrial physician has directed his efforts to such ends, compensation costs and labor turnover have been reduced and production has benefited thereby. This is because

“... a person of healthy mind and body views his surroundings and associations differently from one affected by ill-

ness or dissatisfaction, and a contented and healthy worker can produce more and better than a dissatisfied and sick employee. The true industrial physician today accepts this as one of his guiding principles."<sup>1</sup>

Although the change in the conception of benefit associations has not developed as yet to the same extent as in the case of the physician in industry, the same facts which compelled a revision of the position of the industrial physician indubitably point to a similar revision in the case of the benefit association. From the humanitarian viewpoint it is certainly better to teach a man how to prevent illness and accidents than merely to take care of him after the event. A healthy employee is of more value both to himself and to industry than one who is ill or injured. From the economic standpoint an association would undoubtedly find, as in the case of industry itself, that it pays to expend more time and attention in eliminating the causes of illness and injuries than in taking care of employees who have suffered disabilities.

Both human and economic considerations therefore lend their support to the view that one of the more important primary functions of a mutual benefit association may be to assist its members in avoiding disabilities rather than merely to aid them after they became disabled.

#### *Physical Examination on Entrance to Association*

The first step in this direction is physical examination of all applicants for membership. This is done by 86 of the 382 associations studied. Twenty-eight associations reserve the right to require a medical examination of applicants if the board of directors or trustees consider it advisable to do so. Several associations require medical examinations for applicants over a certain age, usually forty-five or fifty years. Others require examinations in the case of women only. No data were obtained as to the number of firms in which medical examination was required upon entrance to employment, regardless of membership in a benefit association.

By means of a physical examination an association can protect itself against members who may have a chronic disease or other disability which would make such members a heavy charge upon it. A number of associations enable applicants

<sup>1</sup>National Industrial Conference Board, "Health Service in Industry," Research Report No. 34, New York, January, 1921, p. 3.

for membership who may be subject to chronic disabilities to obtain a limited membership. The applicant is required to sign a waiver, exempting the association from liability for such disability. Thus one association states:

“If any applicant for membership or for change in membership has physical defects which would preclude the approval of his application, if presented unconditionally, his application may nevertheless be approved; provided that he executes an agreement in writing, satisfactory to the Manager, to the effect that he shall not be entitled under his membership to any benefits for disability caused by, arising from or growing out of such defects, such agreement to be attached to and to be made a part of his said application.”

The effect of such a provision is to protect the association, but at the same time it penalizes the applicant. Apparently nothing is done to help the unfortunate employee to remedy his defect. The only thing accomplished is that he is prevented from becoming an undue charge upon the association. While this is necessary in order that its financial standing be safeguarded, the association may be shirking its responsibility to help such an employee to become physically fit. A physical examination which does nothing more than penalize the applicant for membership for certain defects that it reveals is not fulfilling its wider possibilities of service, which are to prevent the development of a pathological condition that may be shown to be imminent or, where possible, to correct and remedy a condition that has already developed.

Where an applicant for membership in an association has an incurable disease, nothing more can be done than to allow him to hold a limited membership whereby he waives all claims for disability resulting from such disease. In all other cases where the disability from which the applicant is suffering is remediable, however, the benefit association might assist him in correcting his defect. If, for instance, a man has an incipient tuberculosis or kidney disease that is susceptible of cure through proper treatment, the association might offer him some inducement to obtain the medical treatment necessary to arrest the disease, instead of making him waive all claims for disability arising from it. Such inducement might be offered by his admission to full membership following such treatment. Where the employee is financially unable to pay for the whole of the necessary treatment the association might go farther and assume part of the

expense. The method of procedure is a question that would have to be worked out by each association. Those associations which have a savings and loan department might well utilize such funds for this purpose. Other associations which make provision in exceptional cases for assistance of disabled members beyond the usual amount of benefits could devote a part of such money to the treatment of members who have incipient diseases.

### *Periodic Physical Examinations*

Three associations provide their members with an annual physical examination. In two of these this is done through a private organization specializing in such service. Periodic physical examinations are indispensable in any medical work of preventive nature. They would not only be of immense value to the members of mutual benefit associations through the disclosure of conditions that could be treated before they became actual disabilities, but the association itself would profit financially thereby. Preventive measures of the kind outlined would undoubtedly result in a decrease in the number who would become "beneficial" in the common meaning of the term, that is, placed on the sick or disability list. The association's chief task would be to exercise care and scrutiny of its members in order to minimize sickness and accident as far as possible.

### *Preventive Campaigns*

The large number of benefit associations in industry today is actual evidence of the fact that employees are convinced of the value of such organizations in affording them a certain amount of assistance in the event of their becoming disabled. It would not appear to be a difficult matter to show employees that the associations, through application of the principles of preventive medicine referred to above, can be of still greater benefit to them. The proposition that it is better to prevent disease where that is possible, than to allow it to develop and then try to cure it, appeals to common sense. Every association could draw from its own experience to prove that if the "ounce" of prevention had been applied in time the "pound" of cure would not have been necessary. No argument would be needed to convince the employee who has undergone several weeks preventible sickness that the association would be rendering him greater benefits if it had been able to detect and treat the disease before he had to quit work.

The association that is considering concentrating on preventive work would find the best salesmen for the idea among its own members who had received disability benefits. The results obtained in industry itself through emphasis upon removal of the causes for sickness and accidents rather than on mere care of the sick and injured could also be further used by an association in educating its members to the value of preventive medical work.

#### *Relation of Plant Medical Department to Medical Work*

This change in the activities of a mutual benefit association to emphasize preventive medical work may be brought about either as an extension of the activities of the plant medical department or as an association undertaking alone. While it is true that the plant physician has that intimate knowledge of shop conditions which the outside physician does not possess and which is necessary for a thorough appreciation of the significance of any illness that may develop, the psychological effect upon workers of a plant medical department sponsoring preventive medical treatment for members of an association must be considered. It might be that, where the company doctor took the leadership in inducing the association to examine its members periodically and to engage in other medical work of a prophylactic nature, the members would look upon it simply as a move on the company's part to increase the efficiency of production and to obtain a more stabilized working force. This consideration would not arise were the members of the association on their own initiative to determine to engage their own physician to carry on preventive work, in the belief that such work would result in a greater service to themselves and at the same time cost them less. Under such circumstances the impelling motive in prompting the association to develop such work would be that of self-interest. The interest of the company in minimizing illness and accidents in order to improve productive efficiency and reduce labor turnover would not enter as a factor which might prejudice workers against it. In plants where the company doctor is the association physician and where confidence has been established between the physician and the association, the difficulty referred to might not arise. Local conditions would determine the policy to be pursued in each case.

Whether the company doctor is chosen as the association physician or whether an outside doctor is selected, the company may render the association all possible assistance in its work. Where the association physician is not the plant doctor, the plant medical department may cooperate with the association physician and place at his disposal any information it may possess that would be of assistance to him in improving the health of the association members. Physical examination records should be inviolate between the physician and the examinee. It is the examiner's duty to inform the company as to what work the employee may be unfitted for in the light of the facts revealed by the examination, but the facts themselves should be confidential between the physician and the member.

#### *Company Support in Medical Work*

While the question of company financial support for an association engaging in preventive medical work is one that has to be determined by each individual firm, in a matter such as this, where the interest of the employer and employees are to such a large extent identical, it would seem that a company could well consider financial assistance in the support of such work. Employers who have medical departments will appreciate the worth of any move made voluntarily by the benefit association to reduce illness and accidents among its members. The inertia which often characterizes employees in their attitude toward health service in industry would be supplanted by enthusiasm based on a desire to protect themselves. The effect of such an incentive among employees would prove of inestimable value to the work of a medical department. Where a company has not been able to establish and operate a medical department, it should give every encouragement to the development of preventive work by the mutual benefit association, as in this way the foundation of more extensive health service will be laid.

#### BENEFITS FOR MEMBERS' DEPENDENTS

Only one association of the 382 studied pays benefits for illness in a member's family. This association pays benefits in case of a birth in the family of a member.

Fifty-one associations pay benefits in case of the death of certain members of a member's family. In 29 of these the benefit is paid only upon the death of a member's wife. The

amount of the benefit ranges from \$25 to \$300, the common amounts being \$50 and \$100. Seven associations pay a benefit in case of the death of a member's wife or a dependent child. Five pay a benefit in case of the death of the member's husband or wife. Others pay benefits in case of the death of either a member's wife, husband, father, mother, brother, sister or dependent child. The amount of benefit commonly paid in case of the death of a dependent child is \$25. The same amount as is paid in case of the death of a member's wife is usually paid on the death of another of the member's immediate adult family.

Provision of benefits in case of the death of a member's dependents necessarily entails a higher rate of dues than where benefits are confined to cases of disability and death among members alone. The association may not be willing to shoulder the additional expense involved, but it might afford members an opportunity to carry such extra benefits by the payment of the necessary additional dues.

#### LENGTH OF MEMBERSHIP REQUIRED FOR BENEFITS

Of the funds studied, 60% provide that members are eligible for benefits as soon as they join, while the remaining 40% require a specified length of membership varying from three days to one year before benefits may be drawn. The object of such a provision is to prevent employees from joining the association in order to obtain benefits for an illness which they feel is coming on, and to enable the officers to determine whether the new member is likely to become a permanent liability upon the association.

Some associations require the same length of membership for participation in benefits for either sickness, accident or death. Others require a shorter term of membership for disability benefits than for death benefits. A number make the period of membership necessary for accident benefits shorter than that for sickness and some pay benefits for accidents occurring immediately after entrance to the association. Apart from the inclination that some employees may have to join the association merely to obtain benefits for some disease which they feel is about to develop, it is advisable to have such a period before members become eligible for sickness benefits, since even medical examination will not in all cases reveal

a pathological condition which is just developing and may within a short time become an acute disease. This period need not be so long in those associations in which medical examination is required on entrance as in those in which this is not one of the requirements for entrance.

No reason would seem to exist for making this period one year, as some associations have done. Such a long period is not justified on medical grounds, nor can it be maintained that one year is required by the officers of an association to determine whether a member's conduct is such that his membership should be canceled. The psychological effect of making a member pay dues for one year before he can receive benefits might easily be prejudicial to the association. Nothing is likely to shake the member's confidence in an association so much as placing difficulties in the way of obtaining benefits.

On the other hand, experience would indicate that provision of a three-day period of membership before a member is entitled to benefits in case of accident is not of vital importance to an association. A Pennsylvania association in which a member cannot draw benefits for accidents until he has been a member for three days informed the Board that it did not think "the association would gain or lose were this article omitted" as it had not been used during the two years during which the association has been in operation. It is to be noted that physical examination is a requirement for entrance to this association.

From the medical standpoint two weeks is probably a reasonable period of membership which an association may require of its members before they become entitled to benefits in case of sickness. During that time 95% of all contagious or infectious diseases would make themselves manifest.

There is not the same reason for the postponement of benefits in case of accidents. An accident is not preceded by symptoms that may be detected after the lapse of a certain period. Neither do members join an association in order to obtain benefits for an anticipated accident. Benefits should therefore be paid for accidents occurring on the day the member joins the association. This is all the more important since compensation payments are not payable till the expiration of a certain waiting period varying from three days to two weeks in different states.

A longer period of membership may justifiably be required

of members before they become entitled to benefits for death resulting from sickness. This is necessary for the protection of the association. On the other hand, the need of the deceased member's family will be the same irrespective of whether he dies after being a member for one year or for one week. An actuarial investigation would have to be made in order to determine the cost to the association of paying death benefits irrespective of the length of membership. It would then be a question for each individual association to decide upon the policy to be pursued.

#### NOTIFICATION OF DISABILITY

All associations require that a member who becomes disabled must notify either the secretary of the association or his foreman or department head within a certain time of the commencement of his disability. Various penalties are imposed upon members who neglect to do this. A number of associations require that the secretary be notified immediately a member is disabled. Failure to do so may result in forfeiture of benefits.

Other associations allow members a period of forty-eight hours within which notification of disability must be received. In one association, failure to do this may be considered just cause for forfeiting all right to sick benefits "during the time less forty-eight hours in which the Board of Managers shall have remained ignorant of the condition of the sick or disabled member" through his failure to report.

The association in an eastern public utility corporation pays benefits beginning with the fourth day of sickness, "provided that notice of sickness has been given to the head of the member's department at least twenty-four hours before the day on which sick benefit payment goes into effect." In the event of notification later than the third day, the association reserves the right to begin sick benefit payments only from the day on which notification is actually received.

Several other associations make three days the time within which notification of disability must be received in order that the duration of the disability may be computed from the day of its commencement.

Other associations allow disabled members seven days in which to report disabilities. In some of these associations if a

disability is not reported within the specified time after its commencement, benefits are not payable till one week from the date of the receipt of notification; in others benefits are not payable till fourteen days from date of receipt of notification. Another practice that is followed by a number of associations is the following:

“Any member who is disabled on account of sickness or accident, and is not quarantined, must report his sickness or disability to the Secretary within seven days from the time it commenced. In case such sickness or disability is not so reported, benefits will only be paid from the date of the report.”

The date of the receipt of notification by the secretary is taken by some associations as the beginning of the disability. Where this is the case it is obviously to the disabled member's interest to report his disability immediately it commences. In one association benefits are paid for sickness beginning with the fourth day from the date of the receipt of notification by the secretary, while in the case of accident they are paid beginning with the date of the notification of the secretary. Where benefits are payable after a definite number of days following the receipt of notification by the association the members are prompted through self-interest to report disability immediately.

In one association in which benefits are not payable for time previous to notice of disability to the head of the department, post cards reminding them of this fact are sent to all members when they fail to report for work. Several of the association officials who were interviewed said that members were liable to forget to report to their department heads when they were disabled and this step was taken in order to protect them. The result was described as being very satisfactory.

#### RESTRICTIONS FOR CERTAIN DISEASES OR CONDUCT

Nearly all associations reserve the right to withhold benefits in case the member (a) is in arrears in his dues; (b) is suffering from a disability the result of intemperance or immoral conduct; (c) conducts himself in such a manner during his disability as to aggravate it.

Various periods are laid down by associations beyond which, if a member is in arrears in the payment of his dues, his membership is terminated. In all cases, however, a member can-

not draw benefits for a disability occurring during a period in which he is in arrears.

Nearly all associations stipulate that benefits shall not be paid for disabilities the result of intemperance or immoral conduct. Other grounds on which benefits may be excluded include: disability existing prior to membership; self-inflicted injuries; fighting; scuffling; cases brought about through carelessness; violation of company rules; unlawful acts or misconduct; and cases where fraud or attempted fraud is evident.

In one association benefits are not paid for disability

" . . . to a member directly, indirectly or partly due to his intoxication, or to his use of alcoholic liquors as a beverage, or to his immoderate use of stimulants or narcotics, or to his unlawful acts or immoralities, or to venereal diseases (syphilis, gonorrhea, chancroids) however contracted or their complications (orchitis, epididymitis, stricture or bubo); or for his disability from fighting (unless in self-defense against unprovoked assault) or from injury received in a liquor saloon, gambling house or any disreputable resort."

This association, however, allows a member who has such a non-beneficial disability to retain death benefits if he keeps the superintendent of the association informed of his address and furnishes monthly satisfactory evidence of continued disability. After a continuous membership of five years benefits are paid "for all disability regardless of the cause thereof except that due to accident incurred while on duty."

Another association allows members incapacitated through a non-beneficial disability to retain death benefits for a period of six months, after which membership terminates.

Certain restrictions are placed by most associations on members during the time they are drawing benefits. These are infinite in their variety. Some of the more common ones are: Members must not frequent saloons or gambling houses; they must not be out of the house after sunset; they must not leave the house without the consent of the sick committee; they must not engage in any gainful occupation or attend to any business, etc., etc.

#### SUPERVISION OF MEMBERS WHILE DRAWING BENEFITS

Some associations do not pay any disability benefits unless the disabled member procures a medical certificate showing the nature of his disability and forwards it to the association weekly, fortnightly or monthly, as the case may be. Other as-

sociations require medical certificates from disabled members only when the sick or visiting committee thinks necessary. A sick or visiting committee may be also utilized to supervise members receiving benefits in those associations in which medical certificates are regularly required from disabled members, although in a number of cases such committees are not considered necessary. In associations which have their own physicians, the right is reserved to have the disabled member examined by the association physician if there is any doubt in the sick committee's mind as to the reliability of the member's own physician. Members who refuse to be examined by the physician selected by the association forfeit all benefits. Benefits are also discontinued if a member refuses or neglects to follow the recommendations of such physician.

In those associations in which membership is retainable on leaving the company, a doctor's certificate is invariably required from members living at a distance who become disabled.

The sick or investigating committee of a benefit association is made up of a certain number of the members whose duty it is to visit regularly all disabled members and report to the association whether in their opinion such disabled members are entitled to receive benefits. The members of the committee do not receive any remuneration for their work, but their carfare expenses are usually paid.

It is evident that the person most competent to determine whether a disabled member is malingering is a properly qualified physician. In view of the collusion that may exist between the disabled member and his family physician, the association wisely retains the right to employ a physician satisfactory to it in examining members who are drawing benefits. This is done not only to protect the association but also to protect the members against incompetent and unscrupulous members of the medical profession.

The experience of an eastern steel company illustrates the value, both to the association and the members, of this method of the supervision of disabled members. In this association it has been found that there must be some means of checking up the certificates obtained by members from local physicians. The company doctor is the final authority and benefits may be

refused a member if on examination the claim is found to be a false one, even if he has a local doctor's certificate. As a consequence, benefit payments have been reduced to a very considerable extent and the cost to the association has been correspondingly reduced. This is not, however, the only result of re-examination by the plant doctor, for the members are thereby protected from quack practitioners. Many cases have been discovered in which the local physician's diagnoses of ailments were quite evidently erroneous and the disabled members were suffering the consequences. The company doctor does not treat the association members but sends them to a reputable physician from whom they will be certain to secure the proper treatment.

Not only should the services of a reputable physician be retained by the association in order to guard against malingering on the part of a disabled member, but he should also be consulted as to whether the member is able to resume his usual employment. It often happens that while a member who has been disabled may not be sufficiently recovered to take up his previous work, he may be well enough to engage in other, perhaps lighter work. A sick or visiting committee composed of laymen obviously has not the knowledge that would enable it to make such a distinction.

Such a committee can nevertheless be of service to an association. It can determine whether members drawing benefits are abiding by the rules of the association with reference to conduct while drawing benefits. One association, for instance, reported:

"We have had one or two cases where the Association refused to allow the sick benefit, even when medical certificates had been presented, because it was shown that the members were not taking proper care of themselves while under medical care."

Such a committee, moreover, can investigate the home conditions of members and in cases of special need, and it may recommend to the association that benefits be paid for a longer time than that regarded necessary by the physician. This is the practice followed by a Philadelphia association:

"We do not feel that in every case the physician is the only person qualified to state when the employee is entitled to benefits, and when he should return to work.

"In other words, we try to deal with each case on its

merits, with a view of being as liberal as possible toward our employees."

The sick or relief committee in associations where its personnel is periodically changed is also a means of bringing the members into intimate touch with the operation of the association.

Statements of employers are at variance as to the value of such committees. In some cases it is stated that the visits of the sick committee are greatly appreciated by members, as it shows that the association takes a real interest in them during disability. Quite often, however, the sick committee is regarded by members largely as a committee of detectives whose only duty it is to try to detect malingering. Several associations reported that because of this attitude toward the committee and the dislike of members to serve on it, the abolition of the committee was being considered.

Other associations stated that members objected to being placed on the sick committee because they wanted to have their evenings and spare time for themselves.

In a few associations the work of the relief or visiting committee is done by one person who may devote the whole or the greater part of his time to it. In a New Jersey plant the company nurse performs the functions of a visiting committee. In a Pennsylvania steel plant, one man devotes his whole time to this work.

Both the physician and the sick committee, however, have their functions to perform in the supervision of members drawing benefits. The physician is the person best qualified to state when a member is sufficiently recovered from a disability to be able to return to work. The sick or visiting committee, in addition to seeing that disabled members conduct themselves properly while receiving benefits, is in a position to consider each case individually and in this way render special assistance where it is needed.

#### WAITING PERIOD

The term "waiting period" means that period at the commencement of a member's disability during which he does not receive benefits from the association. Of the 382 associations studied, 377 pay temporary disability benefits. Of these, 11% have no waiting period. In the remainder the waiting period

varies from one day in the case of accidents to three weeks for sickness. Some of the associations have a waiting period for sickness but pay benefits from the first day for accidents. In others there is a different waiting period for sickness from that for accidents, the waiting period for accidents, either compensable or non-compensable, being shorter than for sickness. Three, six, seven and fourteen days are the commoner waiting periods, 58% of the association having a waiting period of seven days, 9% three days, 7% six days, and 6% fourteen days. A number of associations pay benefits from the commencement of disability if it extends beyond a certain period, which varies from two days to two weeks. In some associations where there is a waiting period, benefits may be paid from the first day of disability if it extends over periods ranging from two to five weeks.

Many associations provide that in event of a relapse brought on by a disabled member's return to work, benefits are not withheld for the waiting period but are paid from the first day of disability due to such relapse. Thus:

“If a member has been reported sick and returned to work within a period of six days, and having again ceased work on account of such sickness within three days thereafter, the Secretary shall compute the time of sickness of such member from the beginning of said sickness and the member shall be entitled to sick benefits for these following days of sickness the same as if he had not returned to work, provided he notifies the Secretary at once of his second sickness.”

Another association has the following provision with regard to this matter:

“Any conscientious efforts on the part of disabled members to return to work, which may actually result in relapse, causing two or more short periods of disability instead of one longer one, shall not deprive them of the benefits they would have received, had they remained away from work. They shall not, however, be paid benefits for the days on which they work.”

There is a close relationship between the length of the waiting period and the rate of dues. It is evident that if an association does not have to pay benefits for the first seven days of disability, the dues, other things being equal, can be lower than if benefits were paid from the commencement of disability. Actuarial investigation alone will determine to what extent this will affect the rate of contribution of members. It may be held that an employee who is at all thrifty

should be able to carry his disability for the first week himself. On the other hand, it is a function of the association to prevent and minimize sickness as much as possible and it may therefore be argued that the sooner a disabled member is aided the sooner he will get well. It is true that the payment of cash benefits will be of assistance to the member, but medical treatment immediately he is reported ill would be of even more help to him. By doing this the association would not only be benefiting the disabled member, because a disability that might develop into a serious illness could be arrested before it reached that stage, but it would also be protecting its own funds. A disabled member, even though not drawing benefits from the association during the first week of his disability, is potentially a charge upon it. Self-interest alone would prompt the association to see that such member be cured as speedily as possible, for in this way the amount of cash benefits paid would undoubtedly be lowered.

In this connection the change in recent years in workmen's compensation acts whereby "unlimited medical service" is provided for injured employees is of particular interest. Workmen's compensation acts are intended to provide for an injured employee in two ways—to pay him a certain percentage of his wages for a certain number of weeks and to provide him with medical service up to a certain sum and for a certain number of weeks. When the compensation acts were first enacted the amount to which an employer was liable for medical service was very small, ranging from \$25 to \$50. Moreover, medical treatment was furnished the injured worker for only a short time. In a number of states, by later legislation, both the doctor's fees and the length of time during which medical treatment must be given have been increased. In this way the initial expenditures on compensation cases are higher, but it is found that the total cost is less than under the old scheme. The same result would undoubtedly be accomplished by benefit associations were they to provide disabled members with free medical attendance and treatment at the commencement of a disability.

## VIII

### RESULTS OF MUTUAL BENEFIT ASSOCIATIONS

The main object for which employers have organized or encouraged their employees to organize mutual benefit associations has been to eliminate casual relief subscriptions and to provide the workers in a systematic way with some measure of protection against industrial hazards. The criterion of the success of an association to most employers is to be found in the answer to the question: "Has the association received the support of a large percentage of the employees and has it been able, through the payment of disability benefits and death claims, to assist them and their families in time of need?" Judged from this point of view the associations have generally fulfilled their purpose.

The question then arises as to the further effects of the associations upon such factors as efficiency, production and labor turnover. It is apparent from the statements which the Conference Board has received from employers that the influence of mutual benefit associations on these factors is considered to be only secondary and indirect.

Such indirect effects, however, have been reported upon absenteeism, efficiency, production, labor turnover, and relations between management and men. In some instances employers have reported that the associations have had a beneficial effect upon all of these factors. Absenteeism has been reduced, efficiency and production improved, labor turnover reduced and the relations between men and management made more cordial. In other cases the effect of the association has been more noticeable upon the relations between men and management and upon absenteeism, while efficiency, labor turnover and production have not been so evidently affected.

#### ASSISTANCE TO MEMBERS IN SICKNESS, ACCIDENT OR DEATH

Even where employers reported no effect upon absenteeism, efficiency, labor turnover, production or the relations between men and management, they still expressed themselves as well satisfied with the work that the associations were

doing. Thus the vice-president of a Michigan plant, in which a mutual benefit association was organized in order to eliminate "passing the hat" among employees when a fellow employee became disabled, stated that:

"It is not possible for us to determine whether the existence of this association has had any effect upon the morale, loyalty or productions of its members, but it has accomplished the results for which it was organized and has relieved many cases of suffering since its inception. It has paid the funeral expenses of a number of members and has proven a great help to many who would be entirely without means during a long illness had it not been for membership in this association."

An Illinois company stated that although it could not give "a very definite answer about the effect of the association upon absenteeism, efficiency, labor turnover, etc.," it was certain that:

"It has been of great benefit to some of our employees whose illness would otherwise have been much less well provided for, and others whose dependents have been paid considerable sums where they otherwise would have had very little on the death of the bread winner."

A Pennsylvania refining company wrote:

"We have no records which would indicate that membership in our association has any particular effect upon absenteeism, efficiency, turnover or production. We feel that the chief value of membership lies in the fact that a man is induced to provide for himself through a reasonable insurance plan which assists him in bearing the emergencies which are apt to occur."

#### ELIMINATION OF CASUAL RELIEF SUBSCRIPTIONS

The elimination of collections for disabled employees was cited by a number of employers as the chief benefit of mutual benefit associations.

A New Jersey rubber concern wrote:

"We do not notice any effect upon absenteeism, efficiency, labor turnover or production, but the existence of the organization has done away with the inequitable and burdensome special collections formerly taken up for the benefit of some particular unfortunate individual. This old custom of taking up a collection of money always depended upon the initiative of some individual friendly to the employee who was said to require assistance, with the result that the most needy were frequently neglected through a limited circle of friends, while others who required assistance less were the recipients of unreasonable sums of money."

A similar view was expressed by a Colorado sugar company:

"Prior to its organization, when employees were sick, frequently subscription papers were started around the mill to raise funds for donations to them. One purpose of the organization was to get rid of these subscription lists and to take care of these cases without the stigma of charity."

One of the company officials of a New England plant stated that the mutual benefit association originated from an observation and realization of the difficulties and dissatisfactions which resulted from the circulation of subscription papers throughout the plant:

"Whenever any one was hurt or ill some friend would start a paper; sometimes there would be several papers going at once. If a man had many friends the solicitation was very eager; if he happened to be a stranger or a man with few friends, very little was done. I noticed, too, that on the subscription papers some men put down their names for larger amounts than they could properly pay, while others gave what seemed to be less than their proportionate share. To some men, a good deal of gratitude was expressed, while others were accused of being mean and tight-wads, though perhaps circumstances justified their giving but little."

To put the matter on a more systematic basis, and one "that would be fairer on the average" a mutual benefit association was organized. The Board's correspondent described the results of the association as follows:

"We never considered whether the plan was or was not of value to us as employers, except that it saved the shop from the nuisance of subscription papers. The consideration was that it was a good plan for the men themselves. Of course, incidentally, what is good for our men is good for ourselves, but frankly, we do not believe in starting things of this sort because they are good for business, as when the men feel that we are doing anything of the sort because it is good for the business, then any advantage to the business is apt to become negligible. Our expectations in reference to the association have been fulfilled. It is a good thing."

"We doubt whether it has had any effect upon the loyalty of the men, but believe it makes the shop a little more desirable to them. I don't think it has made the men any more industrious or any more efficient except that it has helped to care for them when first ill and to head off some serious illnesses."

#### INDIRECT EFFECTS ON EFFICIENCY, PRODUCTION, LABOR TURNOVER AND INDUSTRIAL RELATIONS

An Indiana concern reported that, while there was no direct intention in the organization of its benefit association or in the

subsequent conduct of its affairs to increase the loyalty of the men to the company, loyalty was nevertheless stimulated indirectly, because the insurance protection offered by the association is at a lower rate than can be obtained otherwise. A company official informed the Board:

"To the extent, therefore, that the man is obtaining insurance protection while in our employ at a lower rate than he can obtain elsewhere, he is held to his job. We would, therefore, have no hesitation in saying that the association has stabilized our labor. To what extent, however, we cannot, of course, say. We never throw up in a man's face that we are helping the association by paying the salary of the clerk or by lending our payroll clerks to deduct the amount of the association dues. Very likely the great majority of them do not understand that the company is under any expense in connection with the association. All they know is that if they leave the employ of the company, they lose their membership in the association.

"The effect on the efficiency and industriousness of the employees is likewise wholly indirect. If knowledge on the part of the worker that he will obtain a certain amount of steady income in the event of sickness and that his beneficiaries will receive a sufficient amount to pay his funeral expenses, relieves some of his worry about the future and thus increases his efficiency—then the association has increased the efficiency of our employees. We believe, of course, that this psychological effect is good and that there is an increased efficiency on the part of the employees who are members of the association, but it is a matter which cannot be weighed in dollars and cents value to the corporation."

Many employers stated that, although they had no definite data as to the effect of the association upon absenteeism, efficiency, labor turnover, production or relations between men and management, they were nevertheless convinced that the association was distinctly worth while. The effect upon the aforementioned items was bound to be more or less intangible and therefore difficult to measure, but a number of employers were of the opinion that it was nevertheless a beneficial one. A Colorado copper company wrote:

"The benefit (one-half the member's rate of pay) helps an employee financially; therefore his mind is free from worry that would be caused by debts incurred during his disability, and therefore his work ought to be more efficient.

"Most men appreciate the protection afforded them by a benefit association which is not conducted for profit, and prefer to work for a company which contributes to such an association. For instance, a greater number of the men working for other companies in this locality have insurance with accident companies, pay more in premiums and receive less

in benefits. The fact that the company makes a large contribution to the fund, guarantees its safety and at one time carried on their books a deficiency of \$35,000, should create a feeling that on the part of the company there is a genuine desire to cooperate with the men."

A Connecticut silk company states:

"While it is hard to prove the positive benefits, there can be no doubt that much discontent and unhappiness are eliminated, and that is a great gain. It is just as important to prevent an unwholesome state of mind as it is to cure an unhealthy body. While it may not result in loyalty and contentment it certainly removes a chief breeding ground of disaffection."

An Indiana wheel company reported that it felt that the association "tended somewhat" to promote better relations between men and management and "to some extent anyway" to reduce labor turnover and "instill a spirit of fraternalism among our employees." It could not, however, "hazard an estimate" as to the precise effect.

Another employer was of the opinion that the association "must in the nature of things be helpful in all these ways" although no definite data were available.

Several employers described their mutual benefit associations as "one of the bonds" among many that "tie our men to us and form a pleasant relationship between the men and management." Others described the association as "one of the cogs" in the wheel that helped bring about less absenteeism and labor turnover, improved efficiency and production, and cordial relations between men and management.

One company reported that in several of its factories the association "has taken the place with the men of the union of their trade."

A New York plant stated that, as the management of the association is entirely in the hands of the employees, it is "a real aid in managing and controlling them."

An Ohio steel plant reported that the benefit association "has helped improve the attitude of some men who understand managerial affairs with difficulty."

A New Jersey company found its association an aid to management in conveying ideas to the employees which "would be very hard to put over in any other way." Through the association the company is also able to carry on social and recreational features "much more successfully than if the

company were running them without the aid of an association of this kind."

One employer reported that although it would be very difficult to trace the effect of the association upon absenteeism, efficiency, labor turnover, production and relations between management and men, he believed that it "sometimes has a tendency to keep people in our employ and also has a good effect upon the relations between management and employees." In this association membership may be retained after the member leaves the company's employ, and as a result of this it was stated, "there is no doubt that the association has a good effect on the community at large."

#### EFFECT ON MORALE

The chief effect of the associations, according to several employers, was that the employees were brought closer together and mutual understanding improved. This fraternization resulted in a better morale within the plant. One employer said the association developed "rather a homelike feeling" in the plant. "Great group spirit" was reported by another company.

The extent to which an association is able to develop esprit de corps among its members and to establish a cordial relation between men and management appears to depend to a considerable degree upon the extent to which social and recreational activities are engaged in. Where the association confines itself to the collection of dues and the payment of benefits and provides no opportunity for the members to meet together in a social way, the organization tends to become merely an insurance device.

Entertainments, dances, excursions, field days and other social events at which all the members meet upon an equal footing are an undoubted stimulus in establishing a "family spirit" among the members. Several employers have referred to this as one of the outstanding benefits of the associations—the opportunity it gives all the members of an organization to get together on a common ground and with a common interest. A Massachusetts electrical company stated that it had every reason to believe that, as a result of such gatherings, membership in the association has had a beneficial effect upon the loyalty of the members to the company.

"This was brought about to some extent, at least, by gatherings of groups of members at various times during the year and by one or more gatherings in the nature of an Outing or Field Day of all the members which occurred every summer; also by social affairs in which all the members could display an interest."

According to the experience of a southern cotton company, "the very best men in the mill are members who give better service with greater efficiency and less absenteeism and whose relations are much closer to the management than others who are not members."

A number of other employers reported that the members of the associations where membership was voluntary were "the most steady, efficient and intelligent of the men employed."

#### EFFECT ON ABSENTEEISM

In a number of cases, absenteeism was reported as having been reduced as a result of the check which the associations are able to keep on disabled members through sick or visiting committees. An Illinois steel company reported:

"The effect of our association upon absenteeism has been salutary. The very fact that a man's absence will be inquired into by someone on and in behalf of the association, has a deterring effect. Our association has been the means of holding in our employ many good workmen who would not otherwise have stayed continuously, and in that way has helped out labor turnover. Production, of course, is affected by the number of efficient employees who are working, and I believe our association has helped our production."

A Rhode Island foundry stated that the association tends to minimize absenteeism because every case of disability is examined by the sick committee. If the committee "have any doubts about the termination of an illness they will personally call upon the man." In addition a doctor's certificate may be required. This supervision "tends to bring the man back to work as soon as he is able."

One employer considered that any reduction in absenteeism depended largely upon the work done by the sick or visiting committee.

"In a small town where the employees live within a short radius of the plant and most of them are well known, the employees' visiting committee is very effective in following up absences and reducing the lost time. Employees' visiting committee is not very effective in regard to absenteeism in a large manufacturing community where employees are scattered and live distances from the plant."

A Pennsylvania publishing company was of the opinion that the two days' waiting period in its association had a beneficial effect upon absenteeism.

"There seems to us to be no doubt of the good effect which the lapse of two days between the period of illness and the period when benefits start has upon absenteeism. We have always felt, and still feel that, especially among our many women employees, the fact that they must themselves carry the first two days of illness, and further must present a certificate of illness signed by a physician, has greatly decreased the non-attendance at work."

In contrast to the foregoing instances of a reduction in absenteeism believed to be effected through benefit associations are the statements of several employers who reported that absenteeism had been encouraged and increased. The reason given for this was that members were receiving benefits from other sources beside the mutual benefit association and that the total benefits received were equal to or greater than the members' wages. Such additional benefits might either be in the form of compensation payments or money received from lodges or industrial insurance companies. A company official of a mid-western concern wrote:

"So far as absenteeism is concerned, I believe that the workings of the relief association have encouraged rather than discouraged absence from work, especially in such cases as absence because of injury, in which case the injured would draw compensation and also relief benefits. This would make it appear to him very much to his interest to malinger if possible."

A Massachusetts company reported:

"Absenteeism has been extended in some cases, due to some of the employees receiving sick benefits from other associations, which in the aggregate amounted to more than the employee would have received had he labored during the period of recuperation."

Another company reported that during the time the association paid benefits for the first week of disability "we felt that it created a tendency on the part of those sick for a few days with colds, etc., to stay the rest of the week in order to get the benefit." At the end of two years a waiting period of seven days was established and this tendency was checked.

One reason given by several employers for the lack of any noticeable effect upon absenteeism, efficiency, labor turnover,

production or relations between men and management was the small sum of money paid in weekly benefits.

The following came from a Massachusetts shoe company:

"We have not perceived any noticeable effect of the association upon absenteeism, efficiency, labor turnover, production, or relations between management and men. I believe there is no apparent effect upon absenteeism, efficiency, labor turnover, or production, because the benefit of \$5 per week is too small for one to stay out longer than necessary to obtain, and yet is large enough to be of substantial help in case of sickness. It seems to me a larger benefit would have an ill effect upon the points mentioned."

One company in which the association pays a disability benefit of \$5 per week wrote:

"The benefits are not sufficiently large to encourage men laying off from work in order to receive them. Furthermore, the employees' representatives on the board would soon discover cases in which the employee was imposing upon the association and if this fact was determined, the benefits would be discontinued."

#### ATTITUDE OF MEMBERS TOWARD ASSOCIATIONS

While members of mutual benefit associations who were interviewed by representatives of the Conference Board were appreciative of its protection in case of sickness, accidents or death, and while they greatly preferred this method of handling the problem of providing relief for disabled workers to that of "passing the hat," they displayed little enthusiasm on the subject. The cost of the insurance was small, benefits were paid when due, and that appeared to be all that they were interested in. In many instances, the rate of benefit was considered to be so small as to be of but little assistance to an employee who could not work. However, with the assistance obtained from outside organizations, the disabled member was able to get along without having to draw upon his savings to too large an extent.

One criticism frequently encountered among members of associations was the restriction of the insurance to the plant in which the association was in operation. It was realized that the relatively low cost of the protection was closely connected with this restriction, but many employees expressed themselves as being in favor of a plan whereby membership could be retained after leaving the employ of a company, even if it did entail a higher rate of dues. It was considered by such

employees that, in this regard, the insurance provided by fraternal societies was much superior to that provided by mutual benefit associations.

Two exceptions may be noted to the statement that members of associations manifested but little enthusiasm about the organizations. First, members of associations which carried on social and recreational activities whereby the members met frequently and came to know each other better were much more enthusiastic about their organizations than members of associations which were conducted solely or largely as insurance organizations. It is easy to realize why this would be so. A mutual benefit association which confines itself solely to the collection of dues and the payment of funds to disabled members cannot occupy the same place in the minds of its members as an association which, through athletic and social events, brings its members together periodically for a good time. In the case of the former association, contact with the members beyond the collection of the weekly or monthly dues is confined entirely to those of its members who become disabled and draw funds. While it is true that the payments of funds to a disabled member serves to emphasize upon the minds of other members the fact that they are protected in like degree, this does little to develop that feeling of good fellowship among members which experience shows results from the social evenings and outings that many associations hold. The investigations of the Conference Board show conclusively that the value of a benefit association is enhanced in the eyes of its members by measures of this kind, whether dances, excursions, social evenings, dinners or field days.

The second exception to this statement applies to those members of associations who either because of their own disability or the death of a member of their own family have drawn benefits from the funds. The records of every association contain instances in which, were it not for the receipt of weekly disability or death benefits, the unfortunate worker would have had to depend upon charity. Such members as had experienced the advantages of benefits when they were deprived of earning power, were loud in their praise of the value of the association. As would naturally be expected where the benefits received amounted to but \$5 or \$6 a week, the enthusiasm was not nearly so great as in those associa-

tions which paid benefits amounting to 50%, 66% or 75% of average weekly wages. This was true in every case of members who were interviewed, whether they had received benefits or not. Interest in and enthusiasm for an association is closely related to the feeling of the members as to whether the rate of benefit is an adequate one.

In benefit associations in which membership is voluntary, the best indication of the extent to which the workers favor the organizations is to be found in the percentage of the employees who are members. This ranges from 7% to 99% of employees among those associations which furnished the Board with the information. As pointed out above, the adequacy or inadequacy—as conceived by employees—of the rate of benefits will have considerable influence upon the attitude of the workers toward the association. In many associations the scale of benefits remains today what it was ten or fifteen years ago. Under such circumstances it is not surprising if employees are not eager to join the organization. This is a matter that should receive the attention of a great number of associations, in order that their scale of benefits may be revised and better related to the cost of living of today. Notwithstanding this inadequate rate of benefits which exists in many associations, perhaps the most reliable indication of the workers' attitude as a whole toward mutual benefit associations is to be found in the great increase in the number of such organizations during the last decade, despite the fact that commercial insurance companies have entered the field of group disability insurance. This indicates that the mutual benefit association has become more and more appreciated by an increasingly large number of wage earners as an equitable and systematic method whereby they may secure some degree of protection in case of sickness, accidents or death.

## APPENDIX

### Industrial Concerns Which Furnished Data Regarding Mutual Benefit Associations\*

<i>Name of Company</i>	<i>Location</i>
Allen & Company, Inc., S. L.	Philadelphia, Pa.
Alpha Portland Cement Co.	Chicago, Ill.
Altorfer Bros. Co.	Peoria, Ill.
American Bank Note Co.	New York, N. Y.
American Blower Co.	Detroit, Mich.
American Book Co.	New York, N. Y.
American Bosch Magneto Co.	Springfield, Mass.
American Cast Iron Pipe Co.	Birmingham, Ala.
American Engineering Co.	Philadelphia, Pa.
American Hard Rubber Co.	College Point, N. Y.
American Hardware Corp.	New Britain, Conn.
American La France Fire Engine Co.	Elmira, N. Y.
American Laundry Machinery Co.	Cincinnati, Ohio
American Manganese Steel Co.	Chicago Heights, Ill.
American Pulley Co.	Philadelphia, Pa.
American Rolling Mill Co.	Middletown, Ohio
American Sash & Door Co.	Kansas City, Mo.
American Sheet & Tin Plate Co.	Cambridge, Mass.
American Soda Fountain Co.	Boston, Mass.
American Steel Foundries.	Chicago, Ill.
American Sugar Refining Co.	New York, N. Y.
American Telephone & Telegraph Co.	New York, N. Y.
Armstrong Cork Co.	Pittsburgh, Pa.
Arnold Print Works.	North Adams, Mass.
Ashland Fire Brick Co.	Ashland, Ky.
Atlantic Refining Co.	Philadelphia, Pa.
Avery Co.	Peoria, Ill.
Baker-Vawter Co.	Benton Harbor, Mich.
Baker, A. T. & Co., Inc.	Philadelphia, Pa.
Baker, Walter & Co., Ltd.	Dorchester, Mass.
Bantam Ball Bearing Co.	Bantam, Conn.
Barber-Colman Co.	Rockford, Ill.
Barcalo Mfg. Co.	Buffalo, N. Y.
Barth, L. & Son.	New York, N. Y.
Bausch & Lomb Optical Co.	Rochester, N. Y.
Baxter Laundry Co.	Grand Rapids, Mich.
Bay State Cotton Corp.	Lowell, Mass.
Belle City Malleable Iron Co.	Racine, Wisconsin
Berkey & Gay Furniture Co.	Grand Rapids, Mich.
Bessemer Gas Engine Co.	Grove City, Pa.
Bethlehem Steel Co.	Bethlehem, Pa.
Billings & Spencer	Hartford, Conn.

\*The associations in some of these concerns may have gone out of existence since the investigation. In certain cases the association had already lapsed at that time, but information received by the Board regarding causes of failure was used in the investigation.

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Bird & Son.....	East Walpole, Mass
Blumenthal, Sidney & Co., Inc.....	New York, N. Y.
Borden's Farm Products Co., Inc.....	New York, N. Y.
Boston Rubber Shoe Co.....	Boston, Mass.
Boston Woven Hose & Rubber Co.....	Boston, Mass.
Bowser, S. F. & Co., Inc.....	Fort Wayne, Ind.
Brewster & Co.....	Long Island City, N. Y.
Bridgeport Brass Co.....	Bridgeport, Conn.
Brier Hill Steel Co.....	Youngstown, Ohio
Briggs, D. F. Co.....	Attleboro, Mass.
Brill Co., J. G.....	Philadelphia, Pa.
Brooklyn Rapid Transit Co.....	Brooklyn, N. Y.
Brown Hoisting Machine Co.....	Cleveland, Ohio
Browning Co., The.....	Cleveland, Ohio
Brown-Life Gear Co.....	Syracuse, N. Y.
Brown & Bigelow.....	St. Paul, Mich.
Brown & Sharpe Mfg. Co.....	Providence, R. I.
Buckeye Iron & Brass Works.....	Dayton, Ohio
Buffalo Forge Co.....	Buffalo, N. Y.
Builders Iron Foundry.....	Providence, R. I.
Bunker Hill and Sullivan Mining & Concentrating Co.....	Kellogg, Idaho
Burroughs Adding Machine Co.....	Detroit, Mich.
Byers, A. M. Co.....	Pittsburgh, Pa
Cadillac Motor Car Co.....	Detroit, Mich
California & Hawaiian Sugar Refining Corp.....	San Francisco, Calif.
Calvert Lithographing Co.....	Detroit, Mich.
Capwell Co., H. C.....	Oakland, Calif.
Carborundum Co.....	Niagara Falls, N. Y.
Carnegie Steel Co.....	Greenville, Pa.
Carpenter Steel Co.....	Reading, Pa.
Celluloid Co.....	Newark, N. J.
Central States Envelope Co.....	Indianapolis, Ind.
Challenge Machinery Co.....	Grand Haven, Mich.
Chambersburg Engineering Co.....	Chambersburg, Pa.
Cheney Bros.....	South Manchester, Conn.
Chicago Bridge & Iron Works.....	Chicago, Ill
Chicago Tunnel Co.....	Chicago, Ill.
Cincinnati Ball Crank Co.....	Cincinnati, Ohio
Cincinnati Coffin Co.....	Cincinnati, Ohio
Clark Equipment Co.....	Buchanan, Mich.
Cleveland Hardware Co.....	Cleveland, Ohio
Cleveland Provision Co.....	Cleveland, Ohio
Cleveland Twist Drill Co., The.....	Cleveland, Ohio
Cluett Peabody & Co., Inc.....	Troy, N. Y.
Colgate & Co.....	Jersey City, N. J.
Collins, A. M. Mfg. Co.....	Philadelphia, Pa.
Colorado Fuel & Iron Co.....	Pueblo, Colo.
Colt's Patent Fire Arms Mfg. Co.....	Hartford, Conn.
Commonwealth Edison Co.....	Chicago, Ill

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Computing Scale Co. of America.....	Dayton, Ohio
Connersville Blower Co., The.....	Connersville, Ind.
Consolidated Gas Co. of N. Y.....	New York, N. Y.
Craddock-Terry Co.....	Lynchburg, Va.
Crane Co.....	Bridgeport, Conn.
Crawford McGregor & Canby Co.....	Dayton, Ohio
Crocker-Wheeler Co.....	Ampere, N. J.
Crofut & Knapp Co.....	South Norwalk, Conn.
Crompton & Knowles Loom Wks.....	Worcester, Mass.
Crouse-Hinds Co.....	Syracuse, N. Y.
Curtain Supply Co.....	Chicago, Ill.
Curtis Companies.....	Clinton, Iowa
Curtis Publishing Co., The.....	Philadelphia, Pa.
David, B. Edmund, Inc.....	Paterson, N. J.
Davis Coal & Coke Co.....	Cumberland, Md.
Dayton Engineering Laboratories Co.....	Dayton, Ohio
Deere & Co.....	Moline, Ill.
De Laval Separator Co., The.....	Poughkeepsie, N. Y.
De La Verque Machine Co.....	New York, N. Y.
Demuth, Wm. & Co.....	New York, N. Y.
Dennison Mfg. Co.....	Framingham, Mass.
Derby & Co., P. Inc.....	Gardner, Mass
Disston & Sons, Henry.....	Philadelphia, Pa.
Dodge, Nathan D. Shoe Co.....	Newburyport, Mass.
Dodge Mfg. Corporation.....	Mishawaka, Ind.
Dodge Steel Pulley Corp.....	Oneida, N. Y.
Doehler Die Castings Co.....	Brooklyn, N. Y.
Dold, Jacob, Packing Co.....	Buffalo, N. Y.
Donnelley, R. R. & Sons Co.....	Chicago, Ill.
Douglas Shoe Co., W. L.....	Brockton, Mass.
Draper Corp.....	Hopedale, Mass.
Duluth Street Railway Co.....	Duluth, Minn.
DuPont de Nemours & Co., E. I.....	Wilmington, Del.
Durston Gear Corp.....	Syracuse, N. Y.
Dutchess Bleachery, Inc.....	Wappingers Falls, N. Y.
Dutchess Mfg. Co.....	Poughkeepsie, N. Y.
Eaton, Crane & Pike Co.....	Pittsfield, Mass.
Edison Phonograph Works.....	West Orange, N. J.
Edison Storage Battery Co.....	West Orange, N. J.
Electric Hose & Rubber Co.....	Wilmington, Del.
Elgin National Watch Co.....	Chicago, Ill.
United States Steel Corporation.....	Ellwood City, Pa.
Emerson-Brantingham Co.....	Rockford, Ill.
Empire Steel & Iron Co.....	Catasauqua, Pa
Essex Rubber Co.....	Trenton, N. J.
Everlastik, Inc.....	Chelsea, Mass.
Eagle, J. H. & C K. Inc.....	Shamokin, Pa.
Endicott Johnson Corp.....	Endicott, N. Y.
Fairbanks Morse & Co.....	Beloit, Wis.
Farley & Loetscher Mfg. Co.....	Dubuque, Iowa

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Farrington Mfg. Co.	Boston, Mass.
Federal Rubber Co. of Ill.	Cudahy, Wis.
Felt & Tarrant Mfg. Co.	Chicago, Ill.
Finch Pruyer & Co Inc.	Glens Falls, N Y.
Flint Vehicle Factories.	Flint, Mich.
Foot, Schulze & Co.	Saint Paul, Minn.
Forbes Lithograph Mfg. Co.	Boston, Mass.
Fort Smith Wagon Co.	Fort Smith, Ark.
Fox, Charles K.	Haverhill, Mass
Fox & Co., G. Inc.	Hartford, Conn.
Franklin Mfg. Co., H. H.	Syracuse, N. Y.
French & Hecht.	Davenport, Iowa
Fuller Brush Co.	Hartford, Conn.
Fulton Bag & Cotton Mills.	Atlanta, Ga.
Gair, Robert Co.	New York, N. Y.
General Aluminum Brass Mfg. Co.	Detroit, Mich.
General Baking Co.	Charlestown, Boston, Mass.
General Chemical Co.	New York, N. Y.
General Electric Co.	Schenectady, N. Y.
General Motors Corp.	Detroit, Mich
Gibson, W. D. Co.	Chicago, Ill.
Gilbert & Barker Mfg. Co.	Springfield, Mass
Gillette Rubber Co.	Eau Claire, Wis.
Globe Wernicke Co.	Cincinnati, Ohio
Godman, H. C. Co.	Columbus, Ohio
Goodell-Pratt Co.	Greenfield, Mass.
Goodyear Tire & Rubber Co.	Akron, Ohio
Gorham Mfg. Co.	Providence, R. I.
Grand Rapids Railway Co.	Grand Rapids, Mich
Great Western Sugar Co.	Fort Collins, Col.
Greenfield Tap & Die Corp.	Greenfield, Mass.
Grinnell Co. Inc.	Providence, R. I.
Grit Publishing Co.	Williamsport, Pa.
Haines Jones & Cadbury Co.	Philadelphia, Pa.
Hall & Brown Wood Working Machine Co.	St. Louis, Mo.
Hamilton Watch Co.	Lancaster, Pa.
Hard Mfg. Co.	Buffalo, N. Y.
Harmony Mills.	Boston, Mass.
Hartmann Trunk Co.	Racine, Wis.
Haynes Automobile Co.	Kokomo, Ind.
Hazel-Atlas Glass Co.	Grafton, West. Va.
Heald Machine Co.	Worcester, Mass
Heinz, H. J. Co.	Pittsburgh, Pa.
Hickey-Freeman Co.	Rochester, N. Y.
Hill, W. H. Envelope Co.	Worcester, Mass.
Hill Pump Valve Co.	Chicago, Ill.
Hodgman Rubber Co.	Tuckahoe, N. Y.
Hoe & Co., R.	New York, N. Y.
Holt Mfg. Co.	Peoria, Ill.
Holtzer-Cabot Electric Co.	Boston, Mass.

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Hooker Electrochemical Co.	Niagara Falls, N. Y.
Hubbard Eldredge & Miller	Rochester, N. Y.
Huber Mfg. Co.	Marion, Ohio
Huyck & Sons, F. C.	Albany, N. Y.
Hydraulic Steel Co.	Cleveland, Ohio
Hygrade Lamp Co.	Salem, Mass.
Ingersoll-Rand Co.	New York, N. Y.
International Correspondence Schools	Scranton, Pa.
International Harvester Co.	Chicago, Ill.
International Silver Co.	Bridgeport, Conn.
Irons & Russell Co.	Providence, R. I.
Irving-Pitt Mfg. Co.	Kansas City, Mo.
Jamestown Worsted Mills	Jamestown, N. Y.
Jeffrey Mfg. Co.	Columbus, Ohio
Joseph & Feiss Co.	Cleveland, Ohio
Kahn Tailoring Co.	Indianapolis, Ind.
Kann, S. Sons Co.	Washington, D. C.
Kansas City Railways Co.	Kansas City, Mo.
Kayser, Julius & Co.	Brooklyn, N. Y.
Keith, Geo. E. Co.	Campello, Mass.
Kellogg, P. P. & Co.	Springfield, Mass.
Ketterlimus Lithographic Mfg. Co.	Philadelphia, Pa.
Keystone Steel & Wire Co.	Peoria, Ill.
Kimberly-Clark Co.	Neenah, Wis.
Kingston Coal Co.	Kingston, Pa.
Klaxon Company	Newark, N. J.
Knox Hat Co.	Brooklyn, N. Y.
Kops Bros.	New York, N. Y.
La Crosse Plow Co.	La Crosse, Wis.
Lake Torpedo Boat Co.	Bridgeport, Conn.
Landesman Hirschheimer Co.	Cleveland, Ohio
Landis Tool Co.	Waynesboro, Pa.
Larkin Co.	Buffalo, N. Y.
Lawrence, A. C. Leather Co.	Boston, Mass.
Le Blond, R. K. Machine Tool Co.	Cincinnati, Ohio
Leeds & Northrup Co.	Philadelphia, Pa.
Ley, Fred T. & Co. Inc.	Springfield, Mass.
Lidgewood Mfg. Co.	Brooklyn, N. Y.
Lilly, Eli & Co.	Indianapolis, Ind.
Lisk Mfg. Co.	Canandaigua, N. Y.
Lockwood Greene & Co.	Boston, Mass.
Locomobile Co.	Bridgeport, Conn.
Lodge & Shipley Machine Tool Co.	Cincinnati, Ohio
Logan Swift & Brigham Envelope Co.	Worcester, Mass.
Louisville & Interurban Railroad Co.	Louisville, Ky.
Lowney, Walter M. Co.	Boston, Mass.
Lucas & Co., John	Philadelphia, Pa.
Lukens Steel Co.	Coatesville, Pa.
Lupton's, David, Sons Co.	Philadelphia, Pa.

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
McCallum Hosiery Co.	Northampton, Mass.
McCray Refrigerator Co.	Kendallville, Ind.
McFarland, J. Horace Co.	Harrisburg, Pa.
Maddock's, Thomas, Sons Co.	Trenton, N. J.
Majestic Mfg. Co.	St. Louis, Mo.
Manning Maxwell & Moore, Inc.	Boston, Mass.
Manning, John A. Paper Co.	Troy, N. Y.
Marion Malleable Iron Wks.	Marion, Ind.
Max Ams Machine Co.	Bridgeport, Conn.
Marshall-Wells Co.	Duluth, Minn.
Mayer, F. Boot & Shoe Co.	Milwaukee, Wis.
Mellens Food Co.	Boston, Mass.
Merchant Shipbuilding Corp.	Chester, Pa.
Mergenthaler Linotype Co.	Brooklyn, N. Y.
Michaels Stern & Co.	Rochester, N. Y.
Michigan Bolt & Nut Works.	Detroit, Mich.
Miehle Printing Press & Mfg. Co.	Chicago, Ill.
Miles, Dr. Medical Co.	Elkhart, Ind.
Miller, Edward & Co.	Meriden, Conn.
Miner Hillard Milling Co.	Wilkes-Barre, Pa.
Minneapolis Street Railway Co.	Minneapolis, Minn.
Mishawaka WoolenMfg. Co.	Mishawaka, Ind.
Monroe Calculating Machine Co.	Orange, N. J.
Morgan Construction Co.	Worcester, Mass.
Morgan Envelope Co.	Springfield, Mass.
Morrell & Co., John	Ottumwa, Iowa
Morris Machine Works.	Baldwinsville, N. Y.
Morris & Co.	Chicago, Ill
Morse Dry Dock & Repair Co.	Brooklyn, N. Y.
Morton Mfg. Co.	Muskegon Heights, Mich.
Mount Hope Finishing Co.	North Dighton, Mass.
Mueller, H. Mfg. Co.	Decatur, Ill.
Mueller Metals Co.	Port Huron, Mich.
Multibestos Co.	Walpole, Mass.
Murphy Varnish Co.	Newark, N. J.
Narrow Fabric Co.	Reading, Pa.
National Acme Co.	Cleveland, Ohio
National Cash Register Co.	Dayton, Ohio
National Cloak & Suit Co.	New York, N. Y.
National Envelope Co.	Waukegan, Ill.
National Leather Co.	Peabody, Mass.
National Malleable Castings Co.	Cleveland, Ohio
Nekoosa-Edwards Paper Co.	Port Edwards, Wis.
Nettleton Co., A. E.	Syracuse, N. Y.
New Departure Mfg. Co.	Bristol, Conn.
New England Butt Co.	Providence, R. I.
New England Confectionery Co.	Boston, Mass.
New Haven Clock Co.	New Haven, Conn.
New Jersey Zinc Co.	Palmerton, Pa.
New York Edison Co.	New York, N. Y.

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
New York Railways Co.	New York, N. Y.
Norton Co.	Worcester, Mass.
Nunn, Bush & Weldon Shoe Co.	Milwaukee, Wis.
Oakville Co.	Waterbury, Conn.
Oneida Community Ltd.	Oneida, N. Y.
Onondaga Pottery Co.	Syracuse, N. Y.
Paper Container Co.	Battle Creek, Mich.
Parkhill Mfg. Co.	Fitchburg, Mass.
Petroleum Iron Works Co.	Sharon, Pa.
Phelps Dodge Corp.	Bisbee, Ariz.
Philadelphia Electric Co.	Philadelphia, Pa.
Philadelphia Rapid Transit Co.	Philadelphia, Pa.
Philadelphia & Reading Railway Co.	Philadelphia, Pa.
Phoenix Silk Mfg. Co.	Allentown, Pa.
Phoenix Underwear Co.	Little Falls, N. Y.
Pierce-Arrow Motor Car Co.	Buffalo, N. Y.
Pierce, S. S. Co.	Boston, Mass.
Pilgrim Laundry Co.	Boston, Mass.
Pillsbury Flour Mills Co.	Minneapolis, Minn.
Pittsburgh Coal Co.	Pittsburgh, Pa.
Plimpton Mfg. Co.	Hartford, Conn.
Plimpton Press.	Norwood, Mass.
Plymouth Cordage Co.	North Plymouth, Mass.
Port Huron Engine & Thresher Co.	Port Huron, Mich.
Powers-Weightman, Rosengarten Co.	Philadelphia, Pa.
Printz Biederman Co.	Cleveland, Ohio
Proctor & Gamble	Ivorydale, Ohio
Pullman Co.	Chicago, Ill.
Public Service Co. of North Illinois	Chicago, Ill.
Packard Motor Car Co.	Detroit, Mich.
Palmolive Co.	Milwaukee, Wis.
Raritan Copper Works.	Perth Amboy, N. J.
Reed Mfg. Co.	Erie, Pa.
Reed & Prince Mfg. Co.	Worcester, Mass.
Remington Arms Co. Inc.	Bridgeport, Conn
Remy Electric Co.	Anderson, Ind.
Republic Metalware Co.	Buffalo, N. Y.
Rochester Gas & Electric Corp.	Rochester, N. Y.
Roessler & Hasslacher Chemical Co.	Perth Amboy, N. J.
Royal Worcester Corset Co.	Worcester, Mass.
Rumford Chemical Works.	Providence, R. I.
Ruberoid Co.	Joliet, Ill.
R. & V. Motor Co.	East Moline, Ill
St. Marys Wheel & Spoke Co.	St. Marys, Ohio
Scranton Forging Co.	Scranton, Pa.
Selby Shoe Co.	Portsmouth, Ohio
Service Motor Truck Co.	Wabash, Ind.
Shartenberg & Robinson Co.	New Haven, Conn.
Sherwin Williams Co.	Cleveland, Ohio

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Simmons, R. F. Co.	Attleboro, Mass.
Simmons, Ernest Mfg. Co.	Port Chester, N. Y.
Simonds Mfg. Co.	Fitchburg, Mass.
Smith & Wesson Works.	Springfield, Mass.
Solvay Process Co.	Syracuse, N. Y.
Southern Pacific Co.	San Francisco, Cal.
Spalding, A. G. & Bros.	Chicopee, Mass.
Splitdorf Electrical Co.	Newark, N. J.
Sprague Electrical Works	Bloomfield, N. J.
Staley, A. E. Mfg. Co.	Decatur, Ill.
Standard Oil Co. Refineries	Casper, Wyo.
Standard Oil Co. of Indiana	Chicago, Ill.
Standard Wheel Co.	Terre Haute, Ind.
Stanley Works	New Britain, Conn.
Starrett, L. S. Co.	Athol, Mass.
Stetson, John B. Co.	Philadelphia, Pa.
Stetson Shoe Co.	South Weymouth, Mass.
Stephens-Adamson Mfg. Co.	Aurora, Ill.
Stollwerck Chocolate Co.	Stamford, Conn.
Strathmore Paper Co.	Mittineague, Mass.
Stromberg-Carlson Telephone Mfg. Co.	Rochester, N. Y.
Sun Maid Raisin Growers	Fresno, Cal.
Susquehanna Silk Mills	New York, N. Y.
Swift & Co.	Chicago, Ill.
Syracuse Chilled Plow Co.	Syracuse, N. Y.
Taylor-Wharton Iron Steel Co.	High Bridge, N. J.
Texas Co.	Port Arthur, Texas
Thew Shovel Co.	Lorain, Ohio
Trenton Potteries Co.	Trenton, N. J.
Trumbull Electric Mfg. Co., The	Plainville, Conn.
Nathaniel Tufts Meter Works	Boston, Mass.
Underwood Typewriter Co.	Hartford, Conn.
Union Electric Light & Power Co.	St. Louis, Mo.
Union Steel Casting Company	Pittsburgh, Pa.
United Gas Improvement Co. Inc.	Philadelphia, Pa.
United Shoe Machinery Corp.	Beverly, Mass.
U. S. Envelope Co.	Springfield, Mass.
U. S. Light & Heat Corp.	Niagara Falls, N. Y.
U. S. Rubber Co.	New York, N. Y.
U. S. Steel Corp.	New York, N. Y.
U. S. Wind Engine & Pump Co.	Batavia, Ill.
Universal Winding Co.	Providence, R. I.
Utah Light & Traction Co.	Salt Lake City, Utah
Van Brunt Mfg. Co.	Horicon, Wis.
Victor Talking Machine Co.	Camden, N. J.
Vilter Mfg. Co.	Milwaukee, Wis.
Vulcan Plow Co.	Evansville, Ind

## Appendix—Continued

<i>Name of Company</i>	<i>Location</i>
Wadsworth Watch Case Co.	Dayton, Ky.
Wagner Electric Mfg. Co.	St. Louis, Mo.
Walker & Pratt Mfg. Co.	Watertown, Mass.
Waltham Watch Co.	Waltham, Mass.
Walworth Mfg. Co.	Kewanee, Ill.
Walworth Mfg. Co.	So. Boston, Mass.
Warner & Swasey Co.	Cleveland, Ohio
Warren, S. D. Co.	Cumberland Mills, Maine
Washburn-Crosby Co.	Minneapolis, Minn.
Waterbury Clock Co.	Waterbury, Conn.
Wateree Mills.	Camden, N. J.
Weaver Piano Co. Inc.	York, Pa.
Wellman-Seaver-Morgan Co.	Cleveland, Ohio
Wellsville Plate & Sheet Iron Co.	Wellsville, Ohio
Western Maryland Ry. Co.	Baltimore, Md.
Westinghouse Electric & Mfg. Co.	E. Pittsburg, Pa.
Westinghouse Lamp Co.	Bloomfield, N. J.
Wheeling Sanitary Mfg. Co.	Wheeling, W. Va.
Wheeling Steel Corp.	Wheeling, W. Va.
Whitcomb Envelope Co.	Worcester, Mass.
White Sewing Machine Co.	Cleveland, Ohio
White & Wyckoff Mfg. Co.	Holyoke, Mass.
Wickwire Spencer Steel Corp.	Worcester, Mass.
Widdicombe, John Co.	Grand Rapids, Mich.
Williams, J. H. & Co.	Brooklyn, N. Y.
Williams White & Co.	Moline, Ill.
Willys-Overland Co.	Toledo, Ohio
Will & Baumer Candle Co. Inc.	Syracuse, N. Y.
Wilson-Jones Loose Leaf Co.	Chicago, Ill.
Wilson & Co.	Chicago, Ill.
Winchester Repeating Arms Co.	New Haven, Conn.
Wolf River Paper & Fiber Co.	Shawano, Wis.
Woodward & Lothrop.	Washington, D. C.
Worcester Pressed Steel Co.	Worcester, Mass.
Worthington Pump & Machinery Corp.	New York, N. Y.
Wright's Underwear Co., Inc.	Troy, N. Y.
Yale & Towne Mfg. Co.	Stamford, Conn.
Youngstown Sheet & Tube Co.	Youngstown, Ohio

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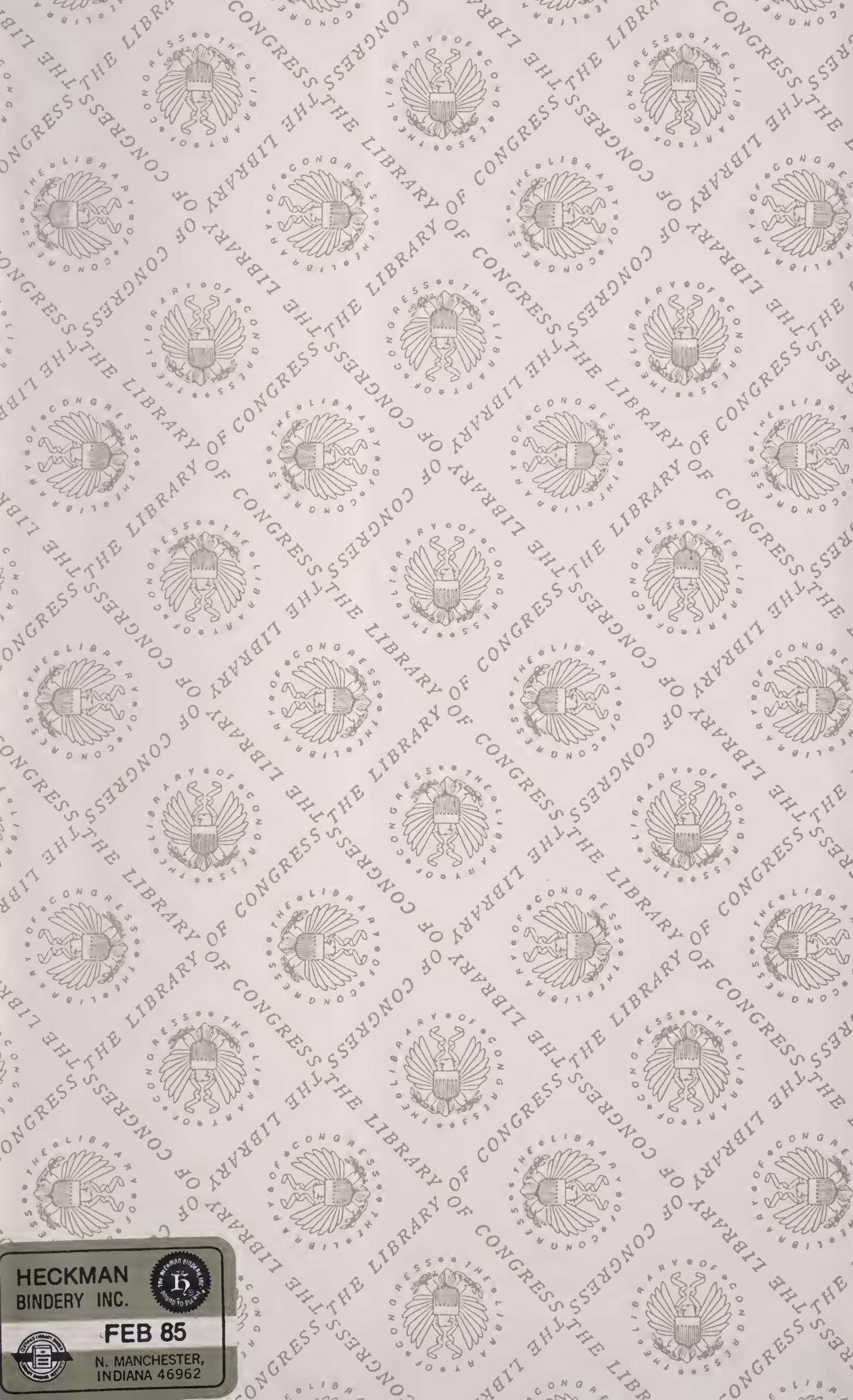
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